Austria [illegible]	Indonesia [illegible]	Oman [illegible]
Bahrain [illegible]	Iran [illegible]	Philippines [illegible]
Belgium [illegible]	Israel [illegible]	Portugal [illegible]
Cyprus [illegible]	Italy [illegible]	Qatar [illegible]
Denmark [illegible]	Jordan [illegible]	S.Arabia [illegible]
Egypt [illegible]	Kuwait [illegible]	Singapore [illegible]
Finland [illegible]	Lebanon [illegible]	Spain [illegible]
France [illegible]	Lux [illegible]	Sweden [illegible]
Germany [illegible]	Malaysia [illegible]	Switz [illegible]
Greece [illegible]	Morocco [illegible]	Thailand [illegible]
Hong Kong [illegible]	Neth [illegible]	Tunisia [illegible]
Iceland [illegible]	Nigeria [illegible]	Turkey [illegible]
India [illegible]	Norway [illegible]	UAE [illegible]

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,873 · Tuesday June 20 1989 · D 8523A

SOUTH AFRICA
US Administration weighs its options
Page 20

World News

Mitsotakis' proposal for coalition rejected

Greece's opposition Communists last night rejected a proposal by Mr Constantine Mitsotakis, the Conservative opposition leader, to form a temporary coalition government with the main task of bringing members of the outgoing socialist Government involved in financial scandals to justice and holding further elections. Page 20

Acid rain campaign

Swedish and Norwegian Governments are mounting a campaign criticising Britain for failing to reduce sulphur dioxide contamination. Page 13

Falklands row

A row over overseas ownership of Falkland Islands farms has led to dissolution of the legislative council. Page 3

Izvestia attack

Izvestia, the Soviet Government newspaper, signalled an expansion of glasnost with a scathing attack on a top Communist Party official Gennady Bogomyakov. Page 8.

Palme evidence

The widow of Sweden's murdered prime minister, Olof Palme, identified Christer Pettersson during his trial in Stockholm as the man who killed her husband.

German contacts

East German leader, Erich Honecker, has agreed to ease travel between East and West Berlin. Page 8

Soviet arms aim

The Soviet Union said the main issue in nuclear arms talks with the US is a 50 per cent cut in strategic missiles and observance of the 1972 ABM treaty. Page 8

Solidarity victory

Solidarity won all but one of the 261 seats it contested in Poland's first partly-free elections for 40 years. Page 8

Iranian poll date

An Iranian newspaper said presidential elections in Iran scheduled for August would be held on July 28.

Soviet train returned

Polish officials turned back a train at the Soviet border because its cargo of lethal gas was leaking.

Moslem court move

British Moslem leaders have won the right to challenge the refusal of a London magistrate to issue blasphemy summonses against Mr Salman Rushdie. Page 13

Journalist captured

Afghan government troops have captured American journalist Tony O'Brien, who was covering the war in Afghanistan for Life magazine

Conservation call

France and Australia have called for immediate talks aimed at turning the Antarctic into a new conservation area.

Belgium clash

Miners protesting against the early closure of Belgium's last two coal mines fought police with iron bars and stones in Brussels.

Nine die in SA

Nine blacks died in weekend clashes between rival political factions in Natal province.

Business Summary

NWA agrees to airline takeover bid worth $4bn

NWA, parent of Northwest Airlines, US carrier, agreed to a $4bn takeover offer from a group of investors led by Los Angeles businessman Alfred Checchi, KLM Royal Dutch Airlines and Elders IXL, Australian group. Page 21

AIRLINES of Europe, federation of five European airlines, was launched with a forecast of fare cuts of up to 40 per cent. Page 23

ENTERPRISE Oil, UK independent exploration and production company, won a court battle to proceed with acquisition of almost $1bn of North Sea Assets from Texas Eastern, US oil and gas company. Page 21

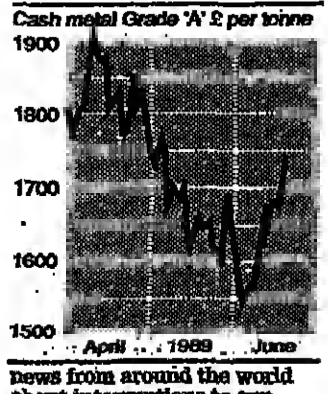
SIEMENS, West German electronics giant, signed $740m order to supply up to 300,000 personal computers to the Soviet Union. Page 20

TIME, US publishing and broadcasting group, will try to finance takeover of Warner Communications without selling businesses. Page 22

EUROPE'S largest and most ambitious collaborative research project into semiconductor technology is to receive almost $1.02bn from the European Commission. Page 20

COPPER prices surged on London Metal Exchange after traders and consumers digested news from around the world about interruptions to supplies.

Copper
Cash metal Grade 'A' $ per tonne



ASEA Brown Boveri, European electrical engineering group, won clearance to acquire Westinghouse Canadian plants. Page 4

EUROPEAN Community finance ministers agreed terms for Spanish peseta and Portuguese escudo to become part of the Ecu basket of European currencies. Page 26

COMPUTER Associates, US independent software company plans to buy Cullinet, a mainframe computer programmes supplier. Page 22

SOUTH KOREA unveiled an economic package of wage and price controls. Page 2

MAGNUM Corporation, New Zealand brewery and wine business, is taking over Wilson Neill's liquor stores. Page 25

JAPAN'S economy grew by 5.1 per cent during the fiscal year to March 31. Page 2

ENSO-Gutzeit, Finnish state-controlled forest products group, began trading shares on the London Stock Exchange. Page 25

EUROPEAN Community agreed major reductions in anti-dumping duties levied last year on video cassettes and video tapes exported from Hong Kong and South Korea. Page 4

BRITISH Midland, UK airline, is to meet legal representatives of the victims of the Kegworth air disaster to discuss the possibility of further interim compensation payments. Page 13

CANADA'S Federal Government is considering creating a third class of banks open to ownership by commercial interests and non-bank institutions. Page 22

West Germany and France confront UK on economic union

By Ian Davidson in Paris and **Robert Mauthner** in London

FRANCE and West Germany yesterday joined forces to throw down a gauntlet to Mrs Margaret Thatcher, the British Prime Minister, ahead of next week's European Community Summit in Madrid.

In a joint communiqué the two governments called for decisive progress on economic and monetary union at next week's Madrid summit of EC heads of state, as well as on the European Commission's draft charter of fundamental social rights.

The communiqné, lssned after a meeting in Paris between Mr Hans-Dietrich Genscher, West German Foreign Minister, and Mr Roland Dumas, his French counterpart, expressed their wish "that a decisive political impulse should be given in Madrid to the implementation of the Delors report in its totality."

By implication the governments are demanding e political commitment by the 12 member states to the objective of economic and monetary union, as recommended in the report of the Delors Committee, not just the more modest first stage of closer economic and monetary co-operation.

Recent indications have been that the British Government would be prepared to accept the modest first stage, but not the ultimate objective of economic and monetary union.

Equally "the two ministers emphasised their wish that the European Council at Madrid should take the necessary decisions to implement in short order the Charter on Fundamental Social Rights."

Gonzalez: search for consensus

The ministers were speaking after Mr Felipe Gonzalez, the Spanish Prime Minister, hinted in London that the Madrid summit might have to use the majority voting procedure to push forward European monetary union if Britain continued to block it.

The Spanish Prime Minister, who will chair the summit, stressed, however, that every effort would be made to reach a consensus and solutions acceptable to all members.

He told a press conference that he had had "very frank, very direct, and very constructive talks" with Mrs Thatcher on the Delors Report and other subjects due to be discussed in Madrid.

"I don't exclude the possibility that we will reach agreement on monetary union," said Mr Gonzalez. "I don't think that anyone has any difficulty with the concept of monetary union. But it is difficult to link the first stage of the Delors proposals with stage two and three."

Under stage one, all currencies, including sterling, would participate in the European Monetary System (EMS), and the budgetary and monetary policies of the member states would be more closely co-ordinated.

The second and third stages of the Delors plan, which foresee moves towards the creation of a European central banking system and a common currency, would require the revision of the European Community treaties.

At a meeting of Community Finance Ministers at S'Agaro on the Costa Brava last month, Mr Nigel Lawson, the UK Chancellor of the Exchequer, agreed with his colleagues from the 11 other member countries to begin work on the first stage of the Delors report.

Continued on Page 20

Ecu weightings agreed for peseta and escudo, Page 34

Thatcher 'disappointed' by poll

By Philip Stephens and Michael Cassell in London

THE British opposition Labour Party yesterday proclaimed itself confident of a comfortable majority at the next general election, as Mrs Margaret Thatcher conceded that her defeat at the hands of Labour in the European elections had been "disappointing."

The final results showed Labour had secured 45 seats in Strasbourg against the Conservatives' 32 – an exact reversal of the 1984 poll. Mr Neil Kinnock, the Labour leader, said the election had been a political watershed.

Despite its big advance in terms of votes, the Green Party did not manage to secure any seats, while Mr Paddy Ashdown, the Democrat leader, acknowledged the damage done by his party's dismal fourth place.

Elections........Pages 6,7
● Big advance for far-right in W German poll
● Paisley top in Ulster
Editorial comment........Page 18
● More than a setback
Analysis........Page 18
● Making the most of a protest vote

Mr Kinnock said the 9 per cent national swing against the Government – with higher figures in the Midlands and London – and the collapse of the centre vote had left him "very confident of a strong majority at the next general election."

The Labour Party will make the first moves towards planning its general election campaign on Friday, when campaign strategists and members of Mr Kinnock's office meet to discuss how best to build on recent successes. Plans will centre on a summer assault on the government intended to highlight Labour's strengths and Tory weaknesses.

At 34 per cent, the Conservatives' share of the popular vote was more than 6 per cent below Labour's and the lowest they had achieved this century.

Continued on Page 20

Tories in poll setback, Page 7; Editorial Comment, Page 18

EC finance ministers approve plan for banking liberalisation

By William Dawkins in Luxembourg

WIDE-RANGING proposals for the liberalisation of banking in the European Community won agreement from EC finance ministers yesterday.

The ministers overrode West German objections to give the initial go-ahead to the creation of a single EC banking licence in January 1993. This will allow EC-based bank subsidiaries, irrespective of ownership, to do business anywhere in the Community without having to register in other member states.

Mr Peter Lilley, Economic Secretary to the Treasury, who represented Britain at the Luxembourg meeting, said the licence was an important component of the single financial market which "should lead to a more open market in banking services throughout the Community" and provide opportunities for the British financial sector.

The second banking directive must be endorsed by the European Parliament before final adoption. The EC banking passport will be available to non-Community banks on condition that their own governments grant EC banks the same treatment as their own domestic lenders.

This is a more flexible version of reciprocity than in the original directive, tabled in March 1988, a change introduced earlier this year by Sir Leon Brittan, European Commissioner for competition and financial services, in the wake of international criticism that the banking plan was protectionist.

It has been widely seen as a significant test of the EC's willingness to pursue liberal trade policies in the run-up to the planned creation of a single market after 1992.

After a six-hour debate on banking, ministers were making progress on a related plan for minimum solvency standards for holders of the EC banking passport. They were also expected last night to reach initial accord on common rules against insider dealing.

West Germany was the only member state to vote against the banking scheme. Mr Hans Tietmeyer, Bonn Finance Minister, was unable to accept it until ministers had made progress on the solvency ratios plan, which West German mortgage banks have been lobbying for special treatment.

West Germany, the UK, the Netherlands and Luxembourg also had anxieties about the amount of power the Commission wanted to reserve for itself in making decisions on applications for non-EC banks. But they accepted a compromise offered by Mr Carlos Solchaga, the Spanish Finance Minister chairing the meeting, which leaves it to EC ambassadors to work out the final system for vetting non-EC applications.

In the meantime, applications will be processed via a system that allows a simple majority of member states to overturn Commission bank licensing decisions.

Broad left wins narrow majority in European Parliament

By David Buchan in Brussels

EUROPE'S broad left has secured a narrow majority for the first time in the European Parliament, after a Community-wide election seen as a pointer to forthcoming national polls in several of the 12 EC states.

Big Labour gains in the UK boosted the ranks of Socialists in the Strasbourg assembly to 181 seats, ahead of the centre-right Christian Democrats now with 123 seats. Left-leaning Green and allied regional parties nearly doubled their strength from 20 to 39 seats.

In an election marked by the success of fringe parties, the extreme right Republican party of West Germany won six seats, contesting a Euro-election for the first time. The extreme right held its 10 seats in France, lost one seat in Italy but gained one in Belgium.

The potential of the broad left – Socialists, Communists and Greens – to muster 261 votes, a majority of one in the 518 seat Parliament, is expected to tell in future decisions on EC social and environmental policies, particularly because such policies attract some considerable support from the centre-right in the assembly. The Parliament has already been playing an increasingly important role in determining legislation to forge a single Community market and in reviewing EC accords with third countries.

As the largest political group, the Socialists are poised to take the job of the Parliament's president. Though they now constitute the biggest single national party in the Strasbourg assembly, UK Labour Party MEPs are expected to let the presidency job go to one of the Spanish socialists, which are the second most numerous national grouping among the socialists.

Rival contenders for the presidency are Mr Giscard D'Estaing, the former French President whose list gained the most votes in France, and Mr Leo Tindemans, who resigned yesterday as Belgian Foreign Minister to take his seat in Strasbourg. The generally poor showing of the centre-right, however, looks like dashing their hopes.

The next few weeks will see a jockeying for position among the European Parliament's eight political groupings, culminating in election of the President and key committee chairman in late July.

Soviet republic struggles to end renewed rioting

By Quentin Peel in Moscow

NEW RIOTS in the Soviet central Asian republic of Kazakhstan have caused an unknown number of deaths, as gangs of armed youths launched a pogrom through the oil town of Novy Uzen, paralysing public transport and burning buildings, official sources confirmed yesterday.

The Soviet authorities were still struggling to bring the situation under control, after disturbances began last Friday night.

The latest violence in central Asia comes only days after a large security effort by the Soviet Government, involving 12,000 troops, ended bloody race riots in neighbouring Uzbekistan, leaving almost 100 dead.

"The situation has worsened, as groups of hoodlums, armed with sticks, iron rods and stones have formed themselves into groups and are staging pogroms in houses, shops and administrative buildings, and attacking passers-by," Tass reported from Novy Uzen last night.

First reports from the town said the apparent cause of the riots was anger at food rationing, high prices in co-operatives, and resentment at the high wages and better living conditions of migrant workers in the Caspian oil fields.

Komsomolskaya Pravda, the Soviet youth newspaper, which was the first to report the riots before any deaths occurred, said that many of the local youths were unemployed, and bitterly resented "their unequal social standing in comparison with those who came to the Mangishlak peninsula to work."

Tass did not mention causes of the unrest, but confirmed that the youths had attempted to seize the local police station, water supply system, and other vital facilities in Novyuzen.

"Passenger transportation has been paralysed and some industrial enterprises, shopping and service amenities suspended operation," it added.

"There have been instances of firearms and petrol bombs being used. There have been deaths. Medical assistance is being provided to those wounded."

Communist Party leaders in the republic – the second most populous in central Asia after Uzbekistan, although the largest geographically – have rushed to the town, along with extra militia units and interior Ministry troops.

Although there were no immediate reports of any ethnic basis to the riots, the resentment of migrant workers suggests that it may well be a factor.

President Mikhail Gorbachev, and Prime Minister Nikolai Ryzhkov, have shown they take the threat of spreading violence in central Asia very seriously. The combination of economic depression,including food shortages and rationing, ethnic rivalries, and rising religious fundamentalism, make the entire region a potential tinderbox.

Minister criticised, Page 8

US investment bank bid for Gateway in balance

By Nikki Tait in London

THE FATE of Gateway, Britain's third-largest food retailer, hung in the balance last night as efforts continued to put in place a recommended £2bn ($3.06bn) leveraged bid led by the US investment bank, Wasserstein Perella.

However, the continuing uncertainty brought a renewed attack from Isosceles, the newly formed UK company which already has a £1.87bn leveraged offer on the table for Gateway. The existing bidder described the continued confusion as a spoiling move and said it was sceptical of a rival offer emerging.

Isosceles' bid is due to close on Thursday, and cannot be extended or increased unless a rival bidder emerges. Given that Britain faces a rail strike – both nationally and on London's underground railway – on Wednesday, the last-minute uncertainty could impede the task of rounding up acceptances in the absence of a higher offer.

Yesterday, Wasserstein – which has said it would make the bid via its leveraged buy-out fund, Wasserstein, Perella Partners – declined to elaborate on its weekend statement that it was

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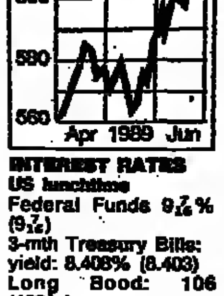
MARKETS

W. Germany
FAZ Aktien Index



INTEREST RATES
US lunchtime
Federal Funds 9 7/16 % (9 7/16)
3-mth Treasury Bills: yield: 8.408% (8.403)
Long Bond: 106 (106 1/4)
yield: 8.319% (8.298)
London
3-month interbank: close 14% (14 1/4)

STERLING
New York closing
$1.5425 (1.54)
London:
$1.549 (1.534)
DM3.055 (3.0575)
FFr10.37 (10.375)
SFr2.64 (2.6375)
Y223.75 (223.25)

DOLLAR
New York closing
DM1.9790 (1.9825)
FFr6.7055 (6.7355)
SFr1.7060 (1.71275)
Y144.40 (144.85)
London:
DM1.973 (1.9925)
FFr6.695 (6.7625)
SFr1.705 (1.72)
Y144.4 (145.5)

GOLD
New York latest
Comex Aug
$370.7 (-0.1)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,479.89 (-6.48)
S&P Comp
320.64 (-0.71)
London:
FT-SE 100
2,154.7 (+10.8)
World:
138.86 (Fri)
Tokyo
Nikkei Ave
33,013.18 (-41.98)
Frankfurt
Commerzbank
1,808.5 (+28.7)

OIL
Brent 15-day (Argus)
$16.525 (+1.75) (July)
West Tex Crude
$20.425 (+0.5) (July)

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Glasnost in China has never included its political system

Openness has always been interpreted by Deng Xiaoping, China's paramount leader, as an opening of tha country to foreign technology, capital and trade. It was never meant to embrace the political system
Page 19

OVERSEAS NEWS

Japan's economy grows 5.1% on domestic demand

By Peter Montagnon in Tokyo

THE Japanese economy grew by a robust 5.1 per cent in real terms during the fiscal year to March 31, according to figures released by the Economic Planning Agency yesterday.

The figure reflects a spurt of growth to an annual rate of 9.1 per cent in the first quarter of 1989 from 3 per cent in the final quarter of last year, and was broadly in line with market expectations.

Economic activity is thus continuing to run ahead of government forecasts, with domestic demand firmly established as the mainstay of economic growth, economists in Tokyo said.

Particularly strong in the March quarter was private-sector capital spending, which rose 6.6 per cent compared with the previous quarter, while private spending advanced by 1.9 per cent ahead of the imposition of the 3 per cent consumption tax from April 1.

The overall growth rate for the fiscal year compares with an official projection of 4.9 per cent and a rate of 5.2 per cent in the previous fiscal year.

The strength of the economy has led to worries about accelerating inflation, with wholesale prices rising 3.4 per cent in May, according to figures announced last week.

However, Finance Ministry officials said yesterday the figures contained no strong signs of overheating, except for tightness in the labour market. The Bank of Japan said last week that no further discount rate increases were planned after the hike of 0.75 points at the end of May, which took the rate to 3.25 per cent.

Real import growth again exceeded that of exports in the first quarter, even though exports grew by a further 7.6 per cent in volume terms, reflecting the dispatch of equipment to new Japanese plants abroad as well as the continuing success of new high-technology products.

Li promises 'no mercy' to those who attacked troops

By Steven Butler in Peking

CHINA'S unrelenting crackdown on pro-democracy protesters looked set to continue yesterday after Li Peng, the hardline prime minister who was reviled by demonstrators, said no mercy would be shown to anyone joining in attacks on troops who opened fire on unarmed protesters.

Li's tough line followed statements by several senior government leaders at the weekend that appeared to herald a more moderate approach.

"Quite a lot of rioters are yet to be apprehended and we can in no way leave them unpunished and let them stage a comeback," he said. "Anyone who had conducted beating, looting and robbery or participated in murdering soldiers and police, no matter whether he be a student or not, will be dealt with without mercy."

Chinese courts have already given out 11 death sentences, and Li's statement raises the possibility that many more will follow. At least 1,500 protesters are now believed to have been arrested.

China has also tightened the net to prevent protesters from escaping the country. All Chinese citizens will have to obtain exit visas from security officials before leaving the country. The visa would also be needed to obtain entry to foreign embassies in China.

A number of dissidents are known to have escaped the country, and several are harboured in foreign embassies, including Fang Lizhi, China's leading dissident, who has taken refuge in the US embassy in Peking.

Huge convoys of armed troops moved through the city last night as soldiers were pulled back from Tiananmen Square, the centre of the protest movement which was crushed early on the morning of June 4. However, hundreds of troops patrolled the city centre.

The pullback of troops was interpreted by some as a sign that a much anticipated meeting of the Communist Party Central Committee was about to be convened, although this could not be confirmed.

The government yesterday also lashed out against a decision by the World Bank to suspend negotiations on project loans worth nearly $400m. The bank was accused of interfering with China's internal affairs. China appears concerned that its new international pariah status will lead it to economic isolation.

People's Liberation Army soldiers stop for a drink while on patrol, near Peking's Tiananmen Square yesterday, two weeks after the massacre of thousands of pro-democracy protestors

Hints of economic problems

Steven Butler reads between the lines of Chinese news reports

CHINA'S official news media have stated repeatedly that economic policy is unchanged and that the economy is returning to normal. However, beneath the rosy picture, there are indications of serious trouble.

In one of the first important economic notices issued since martial law was imposed on May 20, the central government last weekend ordered yet another crackdown on investment outside a few key areas, including those earning foreign currency or those related to agriculture.

The central government was obviously beginning to worry that political turmoil would cause it to lose what little control it had over provincial investment, which is a key plank in its fight against soaring inflation.

A few more hints about the cause of these worries emerged yesterday, when the People's Bank, China's central bank, said savings were on the rise after falling early in the month.

The Bank of China, which handles foreign exchange, said foreign currency had begun to flow, or perhaps trickle, back in. On Friday the Peking branch reported deposits of $1.18m against withdrawals of $1.12m.

These little items in the news confirmed what many people had suspected: that during the violence and political turmoil of recent weeks Chinese had been withdrawing their money from banks out of fear that it could be the last opportunity.

With all that cash in bags and under mattresses, there was fear it would fuel yet another acceleration in China's inflation, which has stabilised at just under 30 per cent. Bank runs and panic buying repeatedly jolted the economy last year, often unknown to foreigners at the time.

Although it is still too early to tell for sure, a few battles in the war to keep inflation from jumping up again may already have been lost.

In addition to cash taken out of the banks, the high cost of moving hundreds of thousands of soldiers around the country has already pumped in a lot of additional unwanted cash. And then there is the possible deal with the military to gain their co-operation. Did it include promises for additional military spending?

Some economists think workers will take advantage of the unsettled environment to demand yet higher bonuses, which have already risen sharply this year. They have done it before and there can be no question that they are dissatisfied with their lot, after so many supported in one way or another the pro-democracy protesters. The government could be tempted to buy peace.

China's budget deficit was projected at 35bn yuan (£6bn) in March, but one diplomat who follows the economy believes it could finish the year at double that figure.

The People's Daily yesterday quoted an official of the People's Bank saying that the bank had plenty of funds – 48bn yuan of reserves against deposits – to pay peasants for the summer harvest.

Last year many peasants got IOUs instead and there was plenty of discontent. However, observers say some of the IOUs given out last year still have not been paid. The promise also appears to contradict a report by the Ministry of Commerce a month ago, in which it said it was about 10bn yuan short.

If the government wants to pay cash, it may have to give up its goal of controlling the money supply and inflation. It must be considered partly reassuring that China's leaders appear to have decided against any big overhaul of economic policy. Reform and opening to the outside are to continue with even more vigour, if Deng Xiaoping, China's paramount leader, is to be believed.

The economy, however, is in a state of severe flux, if not near-crisis. And more important than the broad policies on which the leadership apparently agrees, is how it will respond to difficulties that are close at hand: low productivity, enterprise reform, inflation, controlling investment.

These factors are unknown and are the real source of uncertainty and potential instability. As a stop-gap measure the government is trying to restore confidence by saying as many nice things as it can – exports up, steel workers stay on job during turmoil, satellite programme proceeding as planned.

Canberra current account deficit at record A$1.8bn

By Bruce Jacques in Sydney

AUSTRALIA has recorded its worst-ever monthly current account deficit of A$1.828bn (£885m) for May, bringing the deficit for the first 11 months of the financial year to A$15.99bn, compared with a federal budget forecast of A$9.5bn.

The trade figures, announced in Canberra yesterday, caused a wave of volatility on local financial markets, but surprisingly, the Australian currency gained strongly.

Some observers had forecast a May deficit as high as A$2bn, and currency traders appeared relieved with the actual figure. They traded the dollar up from a trough of 73.9 US cents to 75.3 cents.

But Australian share markets took a more sanguine view, with the all ordinaries index down 2 points to 1527. Money market interest rates also rose more than 10 basis points, with banks' bills at 18.6 per cent by the close.

The May deficit compared with A$1.132bn in April and A$1.37bn in May 1988. The previous highest figure was a A$1.78bn deficit in October 1988. The main cause of the blowout was a 17 per cent increase, to A$4.58bn, in imports against a rise of just one per cent, to A$3.96bn, in exports.

The federal Treasurer, Mr Paul Keating, said interest rates, already at near record levels in Australia, would remain high "for as long as it takes to rein in the economy". He described the deficit as perturbing and the level of imports as unsustainable, and demanded a continued tough monetary policy.

France and Australia have called for immediate talks aimed at turning the Antarctic into an international conservation area, George Graham writes from Paris. Mr François Mitterrand, the French president, yesterday issued a joint statement with Mr Bob Hawke, the Australian prime minister, who is visiting Paris, asking other signatories of the 1959 Antarctic Treaty to join them in negotiating a new agreement.

Both countries have already refused to ratify the 1988 Wellington convention on the exploitation of mineral resources in the southern continent. The convention, which subjects all mining activities in the Antarctic to strict controls, has been ratified by 15 countries, but needs one more signature before coming into effect.

Wage and price controls ordered in South Korea

By Maggie Fnrd in Seoul

AN ECONOMIC package of wage and price controls was unveiled by the South Korean government yesterday in response to public criticism about worsening inflation.

Following average wage rises of almost 20 per cent this year, further pay deals are to be limited to single figures. An independent national committee, including representatives of unions, management, politicians and economists, is to be set up to mediate in pay disputes.

Charges for utilities and transport and other public-sector costs are to be curbed, and the target for increase in the money supply is to be set below the current 18 per cent. The Korea Stock Exchange fell 14 points on the news, closing at 895.5.

To encourage big companies to invest in production facilities rather than speculative stocks or real estate, the government is to offer tax incentives for one year. Small companies, particularly exporters, are to receive $750m in special support.

Appreciation of the currency, the won, against the dollar is to be restricted to no more than 3 per cent for the year, and depreciation will be considered. The currancy appreciation, which reached 16 per cent last year, is now hitting exporters hard, reducing export growth to 11 per cent this year compared with last year's rise of 19 per cent.

The restraints on liquidity are likely to depress the stock market in the short term.

An inflation target of 5 per cent for the year as a whole has now been set, against 7.1 per cent last year. Economic growth is expected to reach 7.5 per cent, down from the original target of 8 per cent.

Britain warned on Hong Kong passports

By John Elliott in Hong Kong

A WARNING that the UK might find it difficult to run the colony of Hong Kong if it refused to give passports to 3.24m of the population was issued yesterday by Dame Lydia Dunn, senior member of the local Executive Council.

She was speaking at a press conference to launch a campaign on the passport issue. About 40 members of Hong Kong's legislative and executive councils, including Mr William Purves, chairman of the Hongkong Bank, appeared wearing lemon yellow T shirts emblazoned with the campaign's slogan "Hong Kong is our Home".

The slogan's message is that if the UK granted British passports, Hong Kong Chinese people would not have to leave and join the current brain drain of about 45,000 people a year to obtain passports in countries such as Canada and Australia.

Dame Lydia left Hong Kong last night for London with Mr Allen Lee, senior member of the Legislative Council, to lobby politicians, including Mrs Margaret Thatcher. The passport issue has become a serious controversy since the Chinese army crackdown sharpened fears in Hong Kong over its return to Chinese sovereignty in 1997.

Britain's popularity has been declining in Hong Kong because of its refusal to grant passports to 3.24m citizens who have lost their rights of abode in the UK under British laws since 1962.

Asked whether a continued British refusal to issue passports would affect the UK government's role, Dame Lydia was unusually outspoken:

"In that situation it would be very difficult for the British government to run this place, because people are very anxious about their future and would be resentful of being deprived of the one thing that would give them assurance and which it is entirely in the power of the British to give."

This statement will be widely seen as an attempt to draw attention to the campaign. But there is an underlying important issue: Britain's colonial administrators could find their authority less readily accepted in the tense run-up to 1997.

Dunn: campaign launch

Talks on violence in townships

By Anthony Robinson in Johannesburg

DELEGATES from Inkatha, the predominantly Zulu organisation, and the "mass democratic movement" met in a Durban hotel yesterday for talks aimed at a settlement to more than two years of bloody conflict in townships around Pietermaritzburg and Durban.

Over 2,000 black people are believed to have died and thousands more to have been either wounded or left homeless in revenge killings sparked off by disputes over land and authority, which have pitted supporters of Inkatha against groups claiming allegiance to the United Democratic Front.

The UDF, an anti-apartheid umbrella organisation, has been virtually banned since February 1988, so leaders of the Congress of South African Trade Unions trade union federation – Mr Jay Naidoo, its general secretary, and Mr Alec Erwin, a senior union organiser – represented the "mass movement", while the Inkatha delegation was led by Dr Oscar Dhlomo, secretary general.

Earlier attempts to arrange talks faltered over the insistence of Chief Mangosuthu Buthelezi that they should take place in the Kwazulu homeland capital of Ulundi, while the "mass movement" affiliates insisted on neutral ground.

The talks began against the background of further violence over the weekend when nine more people were killed.

Police have opened an investigation into reports that armed white men had been involved in some of the shooting incidents. UDF supporters said army and police units had formed an escort for an estimated 5,000 Inkatha supporters armed with guns, knives and knobkerry fighting sticks who paraded through UDF-supporting areas of the township on their way to and from the rally.

Yesterday's talks, which were aimed essentially at setting up a framework for a co-operative effort to defuse tension and halt the spiral of violence, were held in camera. But a lengthy memorandum issued from Ulundi indicated that the Inkatha delegation insisted the African National Congress would have to halt anti-Inkatha propaganda if the negotiations were to bear fruit.

"The kind of political propaganda which results in killing and which continues to be directed against Inkatha must cease," Inkatha said.

Exiled leaders of the South West Africa Peoples Organisation (Swapo) pledged on their return to Windhoek on Sunday night that they would "fight with the ballot not the bullet" and denied they aimed to set up a one-party state, Anthony Robinson writes from Johannesburg.

***Mr Hage Geingob*, Swapo's election director, said that Swapo had learnt from the experience of other independent countries and would not proscribe other political organisations. "We did not come here to create a one-party state," he added.**

Burmese schools reopen a year after protests

By Chit Tun in Rangoon

THE Burmese Government started reopening schools yesterday, beginning with the primary classes. Higher levels will reopen gradually in the next few weeks.

Schools have remained closed for nearly a year because of pro-democracy demonstrations last year. The decision to reopen them is seen as politically significant and could determine the course of Burmese politics in the next few months.

The government decided to reopen the schools after Dr Pe Thein, the Education and Health Minister, held long discussions with parents, teachers and education officials in many parts of the country.

Regional military commanders also ensured schools had adequate text-books, furniture and teaching staff. They have often faced criticism in the past for shortages which have caused serious disruptions to school work.

Not all student bodies and political parties approved of the government's move, but students under the banner of the All-Myanma Federation of Students Unions (AMFSU), believed to enjoy the tacit support of the government, are in favour of the reopening.

Student organisations allied to the All-Burma Federation of Students Unions (ABFSU), a hard-line student body not recognised by the government, are in the opposite camp. They complain that though the government has held talks with parents and teachers, it has not talked to students.

They also argue that as denial of democratic rights was the main cause of last year's student unrest, restoration of these rights should come before schools reopen.

The government has made it clear that it will not "look on with folded arms" if any person or organisation impedes or obstructs the students' return to the schools.

This suggests it will make no concessions to the demands of opponents.

Iran brings forward elections

By Our Middle East Staff

IRAN announced yesterday that it is bringing forward its planned presidential election by three weeks to July 28 in a further sign of the leadership's desire to settle tha succession to Ayatollah Ruhollah Khomeini as quickly as possible.

The vote, originally planned for August 18, will be accompanied by a referendum on constitutional changes which are expected to extend the president's executive powers. The two events are expected to confirm Hojatoleslam Ali Akbar Hashemi Rafsanjani, the speaker and sole presidential candidate, as Iran's dominant political figure.

Interior Minister Ali Akbar Mohtashemi said on Tehran Radio that the election was being brought forward because of President Ali Khamenei's appointment to succeed Ayatollah Ruhollah Khomeini as leader of the Islamic Republic following Khomeini's death on June 3. President Khamenei will now step down as head of state before the constitutional end of his term in October.

Angola set for IMF membership

ANGOLA looks set to become the 152nd member of the International Monetary Fund following a recommendation last week from the Fund's 22-strong executive board writes Stephen *Fidler*.

The recommendation, understood to hava heen made despite opposition from the US, paves the way for Angola to assume membership some time during the summer. Its admission awaits the response of member governments to the board's recommendation, *which are seldom* overturned.

Agreement at the executive board is usually established by consensus but in practice such decisions require a 70 per cent majority. With 19.14 per cent of the vote, the US was apparently unable to muster sufficient support for its position.

Membership of the World Bank, available *only* to countries in the IMF, is likely to follow. Angola has been allotted a quota of SDR145m (£116m).

The Israeli army encamped in the shadow of the Crusaders

Lara Marlowe reports from Taibe on developments inside Israel's self-declared "security zone" in southern Lebanon

WHILE arguments continue to rage over the presence of 40,000 Syrian troops in Lebanon, Israel is showing no signs of withdrawing its estimated 1,000 soldiers or disbanding its 3,500 strong Lebanese militia ally in the far south of the country.

Unifil (United Nations Interim Force in Lebanon) officers here report that the huge earth and concrete fortresses throughout Israel's self-declared 60 square mile "security zone" in southern Lebanon are being continually strengthened.

Israel's "South Lebanon Army" (SLA) militia has been re-equipped with remodelled Soviet-made T 55 tanks which the Israelis captured in their wars with Syria and Egypt.

And as a result of recent agreements between the Shia Amal movement and the Palestine Liberation Organisation and between the two Shia Moslem groups, Amal and the more radical Hizbollah, the number of attacks against Israelis and the SLA has decreased sharply this year. An unprecedented proportion of the anti-Israeli military activity that continues in southern Lebanon is being carried out by pro-Syrian, anti-Arafat Palestinian groups.

In 1988 there were an average of 55 attacks against Israeli or SLA targets in southern Lebanon each month. The number of attacks fell to 42 in March of this year, 30 in April and 17 in May.

The SLA is a Christian and Shia Moslem Lebanese militia operated and financed by Israel with the purpose of controlling the area held by Israel, in defiance of UN resolutions, since its 1978 invasion of Lebanon.

Because the Israeli and SLA compounds that dot the hilltops of southern Lebanon are now more strongly fortified than the Crusader ramparts still visible throught the region, recent attacks on the positions have been futile and resistance to the Israeli presence has increasingly taken the form of ambushes of convoys, roadside bombs and mines. Rockets are still occasionally fired on the compounds, but to little effect.

The Israelis and the SLA retaliate by shelling fields and villages, many of which are now abandoned. This policy has, to a certain extent, been effective. Amal, which has the broadest popular support in the region, is now in a difficult position. The pro-Syrian, Lebanese nationalist Shia movement led by Nabih Berri, himself from the southern Lebanese village of Tibnin, wants to stop reprisals against Shia civilians, but at the same time continues its rhetoric of resistance to the Israelis.

For these reasons, Amal made an agreement with Fatah, the PLO's mainstream faction led by Mr Yassir Arafat, in December 1988 to co-ordinate their attacks in southern Lebanon.

A second agreement, signed by Mr Berri and Hussein Moussawi, a Hizbollah leader, in Damascus on January 30 of this year, led to the establishment of an Amal-Hizbollah-PLO committee, also to co-ordinate attacks. Security sources here said the Israelis were alarmed by the agreements until they realised that the result was fewer assaults against them. The militias' grandiosely named "joint operations room" was described by the same sources as "a man in a room with two telephones".

But in spite of the pact, the Hizbollah continues to distrust Amal and few Hizbollah clergy or fighters have returned to the south as permitted by the January agreement. Hizbollah has complained to its Iranian allies that Amal is not doing enough to fight the Israeli presence in Lebanon and that Amal is constraining Hizbollah from doing so.

Iran, it appears, does not want to alienate Amal, which it still considers to be a potential ally in Lebanon. Iran is meanwhile strengthening ties with "rejectionist" pro-Syrian Palestinian groups, in particular Ahmed Jibril's Popular Front for the Liberation of Palestine – General Command.

Jibril met with Ali Akbar Velayati, the Iranian foreign minister, in Damascus recently. It is Jibril's PFLP-GC and the Democratic Front for the Liberation of Palestine (coming south from Sidon) who have carried out most of the anti-Israeli attacks in Lebanon this year.

The PFLP-GC is particularly strong in the lower Bekaa Valley and use the "Jezzine corridor" to the west of Mount Hermon to reach SLA targets at their weakest point. Eighteen Palestinians died in such attacks in March and April, but in recent weeks they have avoided casualties by attacking the SLA further north of the Israeli border.

Amal fears that Palestinians backed by Iran may step up attacks in southern Lebanon and ruin the fragile balance of fear that now obtains here. To avoid Israeli reprisals, Amal has stopped Lebanese communists from laying sophisticated radio bombs in the path of SLA and Israeli vehicles.

But in spite of its fears of retaliation, Amal is avoiding disputes with Palestinian groups, because of Arab sympathy for the intifada or Palestinian uprising in the Israeli occupied territories.

The motivation of the rejectionist Palestinians to increase activity in southern Lebanon is two-fold: they have been left out of the intifada and attacks on the Israelis in Lebanon are a way of proving their anti-Israeli mettle.

Furthermore, the rejectionists oppose Yassir Arafat's attempts to make peace with Israel. They may find no better way to sabotage progress towards a PLO-Israeli settlement than to discredit Arafat by making armed attacks against Israeli civilians in northern Israel.

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AMERICAN NEWS

Shocking revelations of Robin HUD and the gang

By Peter Riddell, US Editor, in Washington

THE cast of characters would not have been out of place in a soap opera – a Secretary for Housing and Urban Development (HUD) known as Silent Sam, who blamed his subordinates for what went wrong; his glamorous assistant, who cited her Fifth Amendment rights against self-incrimination in refusing to testify before a congressional committee; an agent known as Robin HUD who claimed religious inspiration in siphoning off $5.5m to help poor people; and an ex-Reagan cabinet member who fought big government in office and then received $300,000 for lobbying for a contract.

In the past two weeks even hardened Washingtonians have been shocked by the daily stories of fraud, mismanagement and political favouritism which have resulted in the loss of up to $100m from HUD during the 1980s. The HUD scandal dwarfs earlier episodes of sleaze in the Reagan era.

Mr Samuel Pierce – who was HUD Secretary for all eight Reagan years despite once being mistakenly addressed as Mr Mayor by the former president – duly fulfilled his mandate to cut his programme, by 70 per cent. Beyond that he did little to assist low-income housing.

Accounting controls were inadequate and politics replaced need as the main criterion for help. Before she pleaded the Fifth Amendment last week, Ms Deborah Gore Dean, Mr Pierce's executive assistant, admitted the rent-subsidy programme was run in a political manner with funding favouring those with "good Republican support".

Enter Mr James Watt, the first Reagan Interior Secretary and foe of environmentalists, who in office denounced those "lured by the crumbs of subsidies, entitlements and giveaways". Back in the private sector Mr Watt received $300,000 from consultants for making eight telephone calls to the department and seeing Mr Pierce for 30 minutes to secure help for a project which had been rejected. Mr Watt admitted that he never visited or met a resident of the housing project. He conceded that "if I were a Democrat I would say Jim Watt engaged in influence-peddling".

Prominent Republicans have also been named, including Mr Frederic Bush, leading fundraiser to President George Bush (no relation) and now ambassador-designate to Luxembourg. A beneficiary as a consultant was a former Attorney General and Watergate felon, the late John Mitchell, who lived with Ms Dean's mother.

The other strand is straightforward corruption. Ms Marilyn Harrell, the Robin HUD who allegedly embezzled $5.5m to help the poor, is not alone. As much as $20m may have been stolen by agents selling foreclosed property for HUD. The result is not only that federal money disappeared but that subsidised housing projects intended to help the poor were often rigged to exclude blacks and to assist politically-connected buyers.

Promising a clean-up, Mr Jack Kemp, the new HUD Secretary, describes the system as inherently flawed in that "when the government subsidises big developers or big defence contractors without a competitive process based upon merit, need and quality, then you're going to get into the problems [of influence-peddling and politics] we are trying to root out at HUD or at Defence".

Kemp: pledges clean-up in housing development

OBITUARY: I.F.STONE

Pioneering investigative journalist

I.F.STONE, who died aged 81 in Boston on Sunday, will be remembered as the pioneer of American investigative journalism.

Throughout a career spanning more than 65 years, Mr Stone displayed a tenacity and single-mindedness which infuriated his critics, who denounced him as a muckraker and pacifist gadfly.

His great skill as a journalist was to exploit the welter of raw official information available to the public in the US to expose hidden scandal. He produced many notable scoops but his proudest accomplishment was breaking the British quarantine in Palestine after the Second World War, as recounted in a book, Underground to Palestine (1946).

The club he used to beat the US political establishment was his own newsletter, I.F. Stone's Weekly. Its circulation grew from 5,300 to more than 70,000 during the Vietnam war.

Born in Philadelphia in 1907, the son of a Jewish merchant family who emigrated from Russia, Isador Feinstein "Izzy" Stone was an early supporter of civil rights and critic of US involvement in Vietnam. In the 1950s his opposition to McCarthyism made him dangerously sympathetic to Stalin – though after a visit to the Soviet Union in 1956 he said workers there were more exploited than in the West. It cost him 400 subscriptions.

In later years, his eyesight and his heart began to fail. He folded the Weekly, in 1987 he produced a bestseller, The Trial of Socrates. His conclusion that Socrates was trying to protect the conservative élite in Athens was typically iconoclastic for a man known as "journalism's Rock of Gibraltar".

Canadian surplus declines by C$1bn

By David Owen in Toronto

THE latest monthly trade and inflation figures indicate problems ahead for the hitherto buoyant Canadian economy.

In April, the country's trade surplus declined to C$129m ($108m) – down almost C$1bn in three months and the lowest for nearly eight years.

Although economists blamed "wild-card" factors including rising oil prices, the figures continue a worrying trend.

Exports declined by 1.7 per cent to C$11.4bn, while imports rose 0.8 per cent to C$11.3bn. The surplus for March was C$417m.

Inflation, meanwhile, climbed by 0.4 percentage points in May to reach the psychologically important level of 5 per cent on a year-on-year basis.

About 40 per cent of the monthly increase was accounted for by the impact of April's budget.

The figure all but put an end to speculation that short-term interest rates might be poised to fall.

Less than three weeks ago, Statistics Canada reported that the Canadian economy contracted in March for the first time since October 1986. On a half-yearly basis, Canada has enjoyed six solid years of real Gross Domestic Product growth.

Liberals delay vote on new leader

By David Owen

CANADA'S Liberal party has voted to wait for a year before choosing a successor to Mr John Turner, a move which may harm the prospects of Mr Jean Chretien, the front-runner, becoming party leader.

Mr Turner announced his intention to step down earlier this year, within months of leading the party to a second consecutive general election defeat.

The selection will now be made at a party convention to be held in Calgary from June 20-24, 1990. The delay is expected to give time to candidates such as Mr Paul Martin, the Quebec-based MP and businessman, to mount a more convincing challenge to Mr Chretien, who was a minister in the Liberal cabinet of Mr Pierre Trudeau.

Rewarding good households in a bad debt neighbourhood

● THE latest round of Colombia's continuing struggle to raise international bank finance looks set to reach a conclusion on Friday when it should sign an accord with creditor banks on about $1.65bn in new loans.

As a debtor, Colombia remains a good household in a bad neighbourhood. But its ability to raise finance from international banks without being forced into rescheduling has been an important issue not only for the Colombian government, but also for those bankers who still insist that access to the market is worth striving for.

After all, if Colombia – which until the turn of the year had never missed even a principal payment – cannot get international banks to deliver loans, what are the chances for the others in the neighbourhood?

Colombia's "voluntary" refinancings are always a struggle. A $1.06bn loan which the Government began to raise in 1987 took months to put together and had to be topped up by leading creditor banks. The latest was long in gestation, emerging publicly at the start of the year and even now has fallen short of the $1.7bn target, with the main lenders refusing to top up the latest credit.

The latest figures suggest the loan, which includes $175m of floating rate notes subscribed to by leading creditors, will be $50m-55m under-subscribed even after corralling some Colombian banks into the financing. The loan proper has a ⅞ percentage point margin, while the notes carry a 1⅛ point spread.

Nevertheless, the Government is said to be broadly satisfied. The signing should allow a $900m disbursement in late July or early August, which should leave the Government with year-end foreign exchange reserves at about the level they were a year earlier. At the end of 1988, foreign reserves were $3.85bn, which had fallen to $3.37bn by June 7. The rest will be drawn next year.

● Movement is reported in the negotiations between Mexico and its leading commercial bank creditors in New York, but bankers say it is far too soon to speak of a breakthrough in the talks which started back in April. The talks are expected to provide the blueprint for the debt proposals launched by Mr Nicholas Brady, US Treasury Secretary, in March. As much as $5.2bn, including resources from the International Monetary Fund and World Bank, may be available to finance debt and debt service reduction.

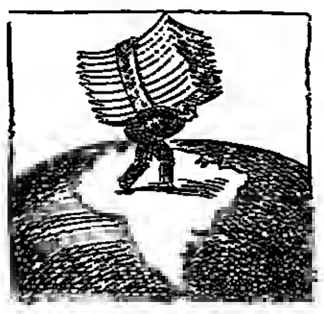
Last week, Mexico is understood to have lowered the rate of discount for which it is willing to settle to 45 cents on the dollar from 50 cents. Its first position, rejected out of hand by the banks, called for a 55 per cent discount to face value.

However, the commercial banks are said to be far from united on the response to this move. Some were highly unwilling to improve on the offer of a 22 cent discount, their last offer to the Mexicans.

The Mexican proposal is understood to have widened the net of loans for which discounts would be applicable. Their previous proposals covered discounts on some $35bn on pre-1982 loans.

● Venezuela continues to pursue a request for a $600m bridging loan from commercial banks, which its leading creditor banks are understood to be considering today in New York.

Stephen Fidler



LATIN AMERICAN NOTES

Mexico renews price pact to counter capital flight

By Richard Johns in Mexico City

IN a surprising move aimed at preventing capital flight, President Carlos Salinas de Gortari of Mexico announced on Sunday night extension of the wages and price control agreement until the end of March next year.

During this period the currency will continue to be devalued at the rate of one peso a day against the US dollar. The controlled official buying-selling exchange rate last Friday was 2,431 for purchases and 2,452 for sales.

Extension of the Economic Stability and Growth Pact, agreed last December for a seven-month period, was agreed by the Government, the chief of the Business Co-ordinating Council which represents the private sector, the Labour Congress and the National Campesino Federation.

The accord was reached amid mounting complaints by the private sector about price controls and increasing difficulties faced by the trade union leadership in countering rank-and-file discontent over wage controls.

The timing of the announcement, which indicated a sense of extreme urgency, was seen by bankers in Mexico to be dictated by the need to kill speculation about a significant devaluation.

President Salinas also said that a key element of economic strategy would be the lowering of interest rates, which are currently at a real, inflation-adjusted, rate of 36 per cent.

The Mexican Government is faced by what seems to be an insuperable problem of maintaining high rates to stop the drain of foreign exchange – reserves are believed to have sunk to about $4bn – and a mounting domestic borrowing requirement.

In this year's budget external and domestic debt servicing accounts for 60 per cent of planned expenditure.

The Government's statement emphasised its commitment to maintain strict financial discipline.

Falklands land row breaks up council

By Andrew Marshall

A ROW over overseas ownership of Falkland Islands farms has led to dissolution of the eight-member legislative council, effectively the islands' parliament.

The council was split over the sensitive question of paying grants to landowners living outside the islands. The grants were approved last week and three councillors – John Cheek, Wendy Teggart and Terry Betts, all from Stanley – resigned on Friday. Under the islands' constitution, this necessitated the dissolution of the council by Governor William Fullerton.

"We felt it was totally unacceptable for Falklands taxpayers to be subsidising overseas landowners," said Mr Cheek yesterday.

All government business had been transacted and the budgetary process completed, said Mr Lewis Clifton, the Falkland Islands government representative in London. The disruption caused would thus be minimal.

Mr Clifton said the islands had previously planned to hold a general election on October 11 and this would go ahead. Holding earlier elections was problematic because the electoral roll was so out of date, he said.

The split reflects differences between councillors from the countryside (or "camp"), who are involved in agriculture, and those representing Stanley, many of whom are involved in the islands' burgeoning fishing industry or the service sector.

But it is also an indicator of the islanders' growing political maturity and awareness, which has led them to demand greater control over their revenue, expenditure and resources.

Since the 1982 conflict between the UK and Argentina and the creation of a fishing zone around the islands, which has generated huge wealth, the islands have become more economically self-sufficient and gained greater political autonomy from the UK.

But there is continuing controversy over the degree to which the economy is dominated by overseas companies and individuals and, in particular, the Falkland Islands Company, which is owned by Coalite, the Derby-based group.

Since 1980, land owned overseas – mainly by FIC – has been reduced from 76 per cent to about 27 per cent of the total.

EC agrees big cuts in Hong Kong and Korea tape duties

By William Dawkins in Luxembourg

BIG REDUCTIONS were agreed yesterday in European Community anti-dumping duties levied last year on videocassettes and videotapes exported from Hong Kong and South Korea.

The reductions were agreed without debate at a meeting of EC Finance Ministers, following an intensive lobbying campaign over the past few months by the Hong Kong Government, which welcomed the changes.

The duties are being reduced from their former provisional rate of between 8.1 per cent and 59.3 per cent, down to a definitive rate of between 1.9 per cent and 21.9 per cent.

Definitive levies have to be paid in cash at the border, unlike provisional duties, where the exporters merely have to produce a guarantee.

The duties are intended to cover the gap between high domestic prices and low export prices.

"The European Commission has...made some significant concessions," said Mr Stuart Harbinson, deputy director of trade for the Hong Kong Government. "There can be absolutely no doubt that the Government's involvement has had a major impact on the case."

Brussels' inquiries were triggered by complaints from the EC's four videocassette and tape producers, Agfa Gevaert, BASF and Magna Tontrager of West Germany and PDM Magnetics of the Netherlands.

Among the Hong Kong companies hit are Swire Magnetics, ACME and Casin. The South Koreans include Goldstar, SKC and Kolon Industries.

The EC producers claimed that unfair Far Eastern underpricing forced them all to make losses – on average 10.4 per cent of sales – in 1987.

During the two years before then, the exporters involved more than tripled their EC market share from 8.7 per cent to 27.8 per cent.

Way cleared for ABB to buy Westinghouse Canada plants

By William Dullforce in Geneva

CANADA'S Competition Tribunal has cleared the way for Asea Brown Boveri, the European electrical engineering group, to acquire Westinghouse's Canadian plants manufacturing transmission and distribution equipment.

The sale of the Canadian plants was included in the deal by which ABB paid an initial $900m for 45 per cent of a joint venture in the US with Westinghouse Electric and took an option to buy the rest in 1990 for a further payment of around $450m.

Westinghouse ABB Power T & D Company merged the electric transmission and distribution operations of the two groups in North America. However, the Canadian Bureau of Competition Policy referred the fusion of the Canadian interests to the Competition Tribunal on the grounds that it would reduce competition.

ABB said it hoped to complete the acquisition before the end of the month, following the draft consent order issued by the tribunal yesterday.

The order stipulates that two plants manufacturing power transformers in Guelph and Hamilton should be operated "at arm's length" until the Canadian Government has decided on ABB's recommendation that it reduce tariffs on imports of some large power transformers.

In countering the competition policy bureau's argument, ABB suggested that competition on the Canadian market could be ensured by reducing barriers to imports.

ABB's annual sales in Canada will rise from about $280m to $450m with the acquisition. It said it would invest heavily in Canada to broaden its product range, to increase research and development, and to compete for a larger share of export markets.

CIT Alcatel signs Iraqi telephone contract

CIT Alcatel of France has signed a FFr310m ($45m) contract with Iraq to build or renovate telephone exchanges in several Iraqi cities, writes Reuter in Paris.

The deal was signed in Baghdad with the Iraqi minister of communications Mohammed Hamza. The contract still depends on French government clearance. The scheme covers three exchanges in the port of Basra heavily damaged in the war with Iran and about 10 more exchanges in other towns.

US trade optimism

US Commerce Secretary Robert Mosbacher said he would *be concerned by a further* rise in the dollar but expressed confidence that, even with the higher levels that the currency reached last week, the US trade deficit will continue to fall.

"Of course I'm concerned if the dollar keeps going up," Mosbacher told the Johns Hopkins Foreign Policy Institute. "But I'm optimistic, from a trade standpoint"

Greece reopens border

Greece has reopened its side of the main Ipsala border crossing with Turkey, closed since last Thursday apparently because of a strike by customs officials.

More than 5,000 people and long lines of vehicles, some carrying perishable goods, started to enter Turkey late last night following the four-day closure.

Tirana pact agreed

East German Foreign Minister Oskar Fischer, on the highest-level Warsaw Pact visit to Albania since 1961, agreed with Tirana that relations between the two communist states were entering a new phase.

Official reports from Tirana said Fischer was met at the start of his three-day visit by Foreign Minister Reis Malile and they agreed to build on their relations and discussed cooperation on trade, culture, sport, travel and the media.

Aerospace industry's victory roll over Paris

Record orders at air show confirm a buoyant market, writes **Paul Betts**

A SPECTACULAR flight display starring the Soviet space shuttle Buran closed a record-breaking 10-day Paris Air Show at the weekend, confirming not only the buoyant state of the civil aircraft market, but the trend towards international co-operation both in the civil and military side of the aerospace industry.

Deals announced at the show involved the aircraft sector as well as electronics, space and missiles systems.

Thomson CSF, the French state-controlled defence and electronics group, signed on Saturday with Mr Bob Hawke, the Australian Prime Minister, an industrial co-operation deal worth up to FFr500m (£50m) to renew Australia's air traffic radar and control centres.

The day before, Thomson announced it had been chosen by the North Atlantic Treaty Organisation to lead a group of international electronics companies, including Plessey Electronic Systems, Siemens, Italtel, Inisel of Spain and CDC of Canada, to develop Nato's military telecommunications system called MIDS (Multifunctions Information Distribution System). Development costs alone of this programme are put at $350m and, over a 20-year period, it is expected to represent about $5bn in industrial orders.

Airliner manufacturers announced more than $6bn-worth of orders. Airbus, which had earlier announced a breakthrough into the Japanese aviation market with sales of seven A300-600 airliners, clinched an order for two A-310 aircraft from CSA, the Czech airline company. This makes CSA the second eastern bloc airline, after Interflug of East Germany, to order Airbus airliners.

"Don't believe people who say you don't get orders at air shows," said Mr Maurice Dixson, the managing director of British Aerospace Commercial Aircraft, which groups all BAe's commercial aircraft activities.

BAe started the Paris show by announcing a $500m order for its Jetstream twin turbo-propeller commuter airliners.

BAe's commercial aircraft order book currently totalled about $2bn. But although the outlook for the industry remained good, Mr Dixson warned: "What we must be careful of in these days of booming orders are the downturns. They always come".

A French banker added another note of caution in the current euphoria. "This is a cyclical activity. The industry has been growing at present at 10 per cent. Even if it continues to grow by 4-5 per cent in coming years, this will none the less mean a period of stagnation and lower growth."

The problems of the Snecma-GE CFM56-3C1 engine which led to the grounding last week of 33 Boeing 737-400 aircraft cast a cloud over the show at Le Bourget. But that did not stop the French engine company announcing a series of European alliances, including the acquisition of a 51 per cent stake in the engine division of FN of Belgium and an 11.5 per cent stake in the Norwegian group Norsk Jet Motors as well as a co-operation agreement with KHD of West Germany.

Star of the show: the Soviet space shuttle Buran

One of the highlights of the show was the number of co-operation agreements signed between international aerospace groups. Aérospatiale signed a long-term deal with Lockheed, while Matra announced co-operation agreements with McDonnell-Douglas. Matra also won a contract to supply Saudi Arabia with *Mistral surface-to-air missiles.*

In the space field, the show marked the coming of age of the European Ariane rocket. "The last year and the first half of this year have been a major turning point for Ariane because we have clearly demonstrated our industrial and operational capacity," said Mr Frédéric d'Allest, chairman of Arianespace, the commercial consortium which markets the European launcher.

Arianespace's turnover rose to FFr3.67bn last year from FFr940m the year before. Over the past 21 months, Ariane has sent 22 satellites into orbit.

The expanding commercial applications of satellite technology was reflected in the last days of the show when a consortium led by Matra was awarded a FFr1bn contract by a group called Locstar to build two satellites. Locstar will provide a paging and communications service for the European road haulage industry enabling the tracking and sending of messages throughout Europe.

On the civil aircraft side, there seems little enthusiasm at this stage for new generation airliners, with airline companies apparently content with their existing aircraft.

The excitement over record-breaking orders also seems to have died. Attention is shifting to how aircraft manufacturers will cope with the industrial problems of matching production with their bulging order books.

The vigorous state of the market also appears to have eased the trade tensions between Washington and Europe over Airbus subsidies. European transport ministers *said at the show they expected* a compromise to be reached with the US next October.

But perhaps what the show most eloquently demonstrated with its huge crowds of visitors, its 1,600 exhibitors from all over the world, and its hectic deal making, is the enormous worldwide interest in what is taking place in aerospace.

Toyota to enter Europe luxury car market next year

By Kevin Done, Motor Industry Correspondent

TOYOTA, Japan's biggest car maker, is to enter the European luxury car market for the first time next year in direct competition with the leading European luxury car makers Mercedes-Benz and BMW of West Germany and Jaguar of the UK.

Mr Shoichiro Toyoda, Toyota president, said the company planned to begin exports of its Lexus luxury car range to Europe, the Middle East and Australia in 1990.

Toyota and Nissan are beginning their assault on the world luxury car market later this year with the launch within weeks of each other in the US of all-new luxury car ranges.

The world luxury car market, the last bastion of the world motor industry left unchallenged by the Japanese, has hitherto been the exclusive preserve of a select band of European car makers.

Both Toyota and Nissan have opted to establish separate luxury car franchises in the US, Toyota under the Lexus name and Nissan under the Infiniti name, but it is not yet clear what sales channel Toyota will use in Europe.

Mr Toyoda said the Lexus flagship car, the V8 4-litre LS400 luxury saloon, would be launched in Japan by the end of this year, but under a different name.

The first of Toyota's luxury saloons rolled off the assembly line last month, en route for the US. The LS 400 and Nissan's rival, the Infiniti Q45, are the most technologically advanced cars developed by the Japanese automotive industry.

The Lexus will be launched throughout the US on September 1 through a newly developed network of 65 dealers. Nissan'a Infiniti range will be launched two months later.

Earlier this month, Toyota fixed the base price in the US of its flagship Lexus LS 400 at $35,000, undercutting its European competitors by $9,000-$26,000. With all available options the LS 400 could cost $43,300.

At $35,000, the LS 400 price compares with $44,000-$45,000 for the base model Jaguar XJ6, Mercedes-Benz 300E or BMW 535i. Toyota maintains that the LS 400 more properly competes with the Mercedes-Benz 420SEL and the BMW 735i, where comparable prices are around $62,000 and $55,000.

Election brings the greatest political fragmentation since the Weimar Republic

Big advance for far-right in W German poll

By David Marsh in Bonn

WEST GERMANY'S ultra-right-wing Republican Party would hold the balance of power in the Bonn parliament if Sunday's European poll result were repeated in the general election in December 1990.

The senior German parties were yesterday digesting this uncomfortable fact as Mr Franz Schönhuber, the Republican leader, held out the possibility of a future coalition with the conservatives.

The success of the Republicans in entering the Strasbourg parliament with 7.1 per cent of the votes follows the far-right's victories in the Berlin and Hesse local elections this year.

The latest gains mark the largest score by a radical right-wing group in a country-wide poll in West Germany's 40-year history. This will almost certainly add to political polarisation in a country which, since 1949, has convincingly forsworn radicalism.

The Republicans' feat in re-establishing German patriotism as a political theme, accompanied by a raw mix of *tub-thumping* and *wheedling* on issues like immigration and payments to the European Community, is likely to have an effect spreading beyond West Germany's borders. Mr Schönhuber meanwhile proclaimed yesterday that the Federal Republic was simply becoming "normal".

The Christian Democratic Union (CDU) and its Bavarian ally, the Christian Social Union (CSU), were badly mauled, registering only 37.8 per cent, down from 46.0 per cent in the 1984 Euro-poll. This was in spite of a rise in the turn-out to 62.4 per cent from 56.8 per cent five years ago.

However, the impact of the reverse on the CDU was limited by the failure of the Social Democratic Party (SPD) to make gains, as well as by the exceptionally poor showing by the CSU in Bavaria, where the Republicans clinched 14.6 per cent of the votes.

Mr Lothar Späth, the Prime Minister of Baden-Württemberg, previously regarded as a favourite to take over from Chancellor Helmut Kohl in the event of a resounding CDU debacle, suffered from an above-average Republican swing in his state.

It now seems virtually certain that Mr Kohl will hang on to fight the 1990 election. Not for the first time in his career, Mr Kohl is profiting not from brilliance but from sheer tenacity in the face of setbacks for his rivals.

Republican party leader Franz Schönhuber makes his point

The result will probably strengthen Mr Oskar Lafontaine, the Social Democrat Prime Minister of the Saar, in advancing his cause as Chancellor-candidate for the SPD in 1990.

Mr Lafontaine's spirits were lifted by gains for the SPD in his home state. Although the party will not choose its candidate before next summer, Mr Hans-Jochen Vogel, the current SPD leader, may be forced to admit that he lacks the sparkle to take on the right-wing challenge.

The SPD scored only 37.3 per cent, against 37.4 per cent in 1984 – well below expectations. SPD officials were in no mood for rejoicing over the discomfiture of the Christian Democrats, admitting yesterday that the Left had suffered "a black eye".

For the first time, five party groupings, all with scores above the 5 per cent necessary for parliamentary representation, are now competing for the attention of voters: the CDU/CSU, the SPD, the liberal Free Democrats, the Greens and the Republicans. This is more political fragmentation than Germany has seen since the Weimar Republic.

As an inevitable consequence of German history, the Federal Republic will now have to prove that this is a sign that democracy is functioning – and not that democracy is losing its grip.

Giscard d'Estaing leads conservatives to comfortable win

By Ian Davidson in Paris

MR Valery Giscard d'Estaing, the former President of the Republic who was defeated by Francois Mitterrand in 1981, has made a significant come-back on the French political stage by leading his conservative list to victory in Sunday's election to the European Parliament.

The result is likely to reinforce his personal leverage in the continuing struggle for control of France's right-wing parties.

His comfortable win on Sunday, with nearly 29 per cent of the vote, is a clear political and personal set-back, both for the Socialist list headed by Mr Laurent Fabius, which scored less than 24 per cent, and for the the break-away centrist list headed by Mrs Simone Veil, which managed less than 9 per cent.

These set-backs are surprising. On the Socialist side, it probably does not represent a rebuke to the government, since President Francois Mitterrand and Prime Minister Michel Rocard are both enjoying high popularity in the opinion polls. In the centre, Mrs Veil is one of the most respected politicians in France, most widely admired for her long commitment to Europe, as well as for her commitment to the idea of a moderate political force.

Behind the scenes, Mr Giscard d'Estaing's victory is almost as embarrassing for his friends as for his adversaries, since it means he will be a public encumbrance for many years to come, and may well attempt in some sense to claim the overall leadership of the French right wing.

This would be particularly unwelcome to the Gaullist party, which would wish to assert its own hegemony over the right wing, if it could only construct an appropriate vote-winning identity. One of the most revealing sights on Mr Giscard d'Estaing's victory platform on Sunday night, was the livid grin of Mr Alain Juppé, secretary general of the Gaullist party.

Yet the conservative victory is, in reality, a very relative affair. In terms of orders of magnitude, the most striking aspect of Sunday's vote is the general failure of the "respectable" traditional parties to mobilise the voters or to hold their own against the challenge of unconventional, single-issue or protest parties.

The abstention rate of more than 51 per cent is the second highest in the history of the Fifth Republic, the record (63 per cent) being held by last year's referendum on the future of New Caledonia. And within the total of those who did vote, only about 60 per cent voted for the traditional political parties ranging from the Socialists to the Gaullists.

By contrast, the Greens made a striking breakthrough with 10.5 per cent, while the extreme right-wing Front National led by Mr Jean-Marie Le Pen came in third behind the Socialists with nearly 12 per cent.

In the past, the appeal of the ecological movement was pre-empted by wide-spread middle-of-the-road support for the national nuclear deterrent and thus for nuclear power. This consensus has been destabilised by Chernobyl and by the new Soviet image projected by Gorbachev.

In last year's Presidential election, Mr Le Pen scored a sensational 14.4 per cent. In subsequent general and municipal elections, Front National scores subsided and nervous democrats breathed easy again. Sunday's vote suggests, after all, that the right voting rules (proportionality) and the right issue (Europe) will reveal a substantial and durable xenophobe lobby in France.

In Paris, the Le Pen list scored 14 per cent; in the Bouches-du-Rhone department round Marseille, 20 per cent; and in the Alpes-Maritimes (Nice etc) 25 per cent.

Communist and Green gains strong in Italy

By John Wyles in Rome

ITALY'S five governing parties were discreetly licking their wounds yesterday after European elections which, undeniably, have been won by the old and the new opposition – the Communists and the Greens.

Europe also won a resounding victory in Italy, with no fewer than 88 per cent of the voters endorsing the view in a parallel referendum that Europe needed to be united under a single government responsible to Parliament.

The election results point to a revival of Italy's previous five-party coalition with little change in the balance.

But there is no guarantee that Mr Ciriaco De Mita, the outgoing Christian Democrat (DC) prime minister, will succeed in forming a new coalition and he may have to make way for another DC nominee.

Of the two domestic political victors, the Communist Party (PCI) success in halting a five-year-long electoral decline was much the most impressive and unexpected.

"We fought like tigers . . . and it was uphill all the way," said a jubilant PCI secretary, Mr Achille Occhetto, on Sunday evening brandishing a one point gain in his party's share of the vote since the 1987 general election.

Mr Occhetto had, however, never expected to match the PCI's 33.3 per cent tally in the 1984 European elections.

Determined

Neither did he really expect to hold the line at 1987's 26.6 per cent in the face of a determined campaign by all other parties to equate repression in China and the bankruptcy of East European and Soviet Communism with the PCI's brand of ideology.

For their part the schismatic Italian Greens were ruefully wondering how many more votes they could have won if they had united around a single list.

At 81.5 per cent, the voting turnout was admirably high, but Christian Democrats believed they had been the main victims of the fact it was, none the less, 2.6 points lower than in 1984.

Both the DC (32.9 per cent) and the Socialists (14.8 per cent) had been misled by recent local elections into believing that they would do significantly better and the performance of both parties could be seen as a demand that they stop quarrelling and get on with governing.

Of the other coalition parties, the Social Democrats lost ground while the Liberal and Republican alliance went down to disaster, polling less than their separate strengths in 1987 and winning even less than their joint 6.1 per cent tally in 1984.

The futures of these parties is guaranteed only by an electoral system which has rewarded no fewer than 10 parties or groups with seats in Strasbourg.

Danes' suspicion of Brussels underlined

By Our Copenhagen Correspondent

THE EUROPEAN elections in Denmark ended with no clear winner, but parties opposed to the country's membership of the Common Market kept a high profile.

Sceptical Danes, worried about interference in their domestic affairs from Brussels, voted in large numbers for groupings opposed to the country's membership of the EC in last week's elections.

Results first announced yesterday afternoon gave the opposition Social Democrats, who are mixed on Europe, a one-seat gain to hold four of Denmark's 16 seats in the 518-seat Strasbourg Assembly, while the Popular Movement Against Danish Membership of the European Community – a motley grouping of members of several political parties – caused a surprise by holding on to its four seats, with predicted its demise.

The big loser at the Danish Euro-election was the Conservative Party of Mr Poul Schlüter, the Prime Minister, which lost two of its four seats. The Conservatives are in government in a three-party, centre-right, minority coalition with the Liberals, who had a good election, gaining one seat.

The small, pro-EC Centre Democrat Party, which supports the ruling centre-right coalition, doubled its representation to two, while on the opposition side the marked swing to the left noted in other European countries failed to materialise, with the far left, anti-EC Socialist People's Party, losing one of its two seats.

All in all, three Danish parties failed to win any seats, leaving six political parties now representing Denmark in the European Parliament. There was a dismal turnout of only 46 per cent of the country's 3.9m electorate, the lowest voter participation in Denmark in any poll this century.

Denmark's hesitant attitude to the European Community can be seen in the results. Anti-EC parties now hold five – or more than a quarter – of Denmark's 16 allocated Euro-seats; the Social Democrats, who are distinctly lukewarm on Europe, hold four seats; and pro-EC parties, including the ruling Conservatives and Liberals, hold seven in all.

As elsewhere in Europe, the Danish European elections concentrated mainly on local issues, rather than on the question of electing Euro-MPs to represent the country in Strasbourg. Commentators see the Danish result as a domestic defeat for the ruling Conservative-Liberal coalition's recent tax reform programme, designed to reduce Denmark's high income taxes and drastically cut the country's streamlined welfare system.

On a European level, the solid performance of the Popular Movement Against Danish Membership of the EC further underlines the Danes' traditional suspicion of Brussels.

Strong result may lead Spanish Socialists to tighten economy

By Peter Bruce in Madrid

SPAIN'S Socialist Government, buoyed by its strong mid-term showing in last week's elections to the European Parliament, is thought to be preparing a number of tough fiscal measures to reign in inflation and boost revenues in the next few weeks.

A rise in the price of petrol, which is controlled by the state, is reported to be imminent and the Finance Ministry is studying a possible increase in corporate tax which, at its current 35 per cent, is below the Community average.

The Government has already signalled its willingness to impose greater discipline on the economy by taking the peseta into the exchange rate mechanism of the European Monetary System yesterday. The move will severely restrict its ability to fall back on purely monetary measures to combat inflation, now heading for just over 6 per cent for the year, and increase pressure for some fiscal action as well.

The EMS decision was taken a day after it had become clear that the socialists had performed strongly in European elections last Thursday, despite problems with the trade unions and with inflation. Prime Minister Felipe Gonzalez now feels he has a mandate to adopt a stiffer fiscal course.

The Socialists lost just one of their 28 seats. The Partido Popular, the main conservative opposition party, lost two of its 17 seats while the smaller centrist rival, the Centro Democratico y Social also lost two seats, to bring its total in the European Parliament to five.

The Communist-dominated Izquierda Unida won one new seat and now has five.

A blow for Portugal's ruling PSD

By Diana Smith in Lisbon

PORTUGAL'S ruling Social Democrat PSD suffered a blow in the contest for the country's 24 seats. They took 32.5 per cent of the vote and nine seats – losing a seat, five percentage points and 750,000 votes compared with the 1987 result. They also took a nosedive compared with their 51 per cent landslide in the general election of that year.

The Socialists (PS) ran close with 28.7 per cent, gaining six points and two seats, for a total of eight. The CDU coalition of Communists, Greens and independents gained three points and a seat for 14.5 per cent and four seats, putting the Christian Democrat CDS in fourth place, polling 14.15 per cent, losing 2 points and a seat, retaining three.

Portugal's 51 per cent turnout, the lowest since free elections began in 1975 was seen not as indifference towards Europe but as a protest by part of the PSD's middle class constituency against high-handedness by an overconfident government towards the financial community, management, civil servants and the medical and legal professions.

Mr Cavaco Silva admitted Sunday's result was bad for a PSD hurt, he said, by "voter incomprehension of our tax and labour reforms."

The PS are jubilant: Sunday ended their four years in Coventry and returned them to a sizeable share of the vote and chance to offer themselves as an alternative to the PSD in December's local elections and the 1991 general election.

The big CDU gain is partly-attributed to their young leading candidate, Mr Carlos Carvalhas, a civil service union leader with a moderate Euro-stance, and partly to the Greens as ecological problems begin to worry the Portuguese.

How Europes major parties fared

Ireland	Seats	%
Fianna Fail	5 (8)	31 (39)
Fine Gael	4 (6)	22 (32)
Labour	2 (0)	10 (8)
Prog Dem	1 (0)	12 (0)
Others	3 (1)	25 (21)

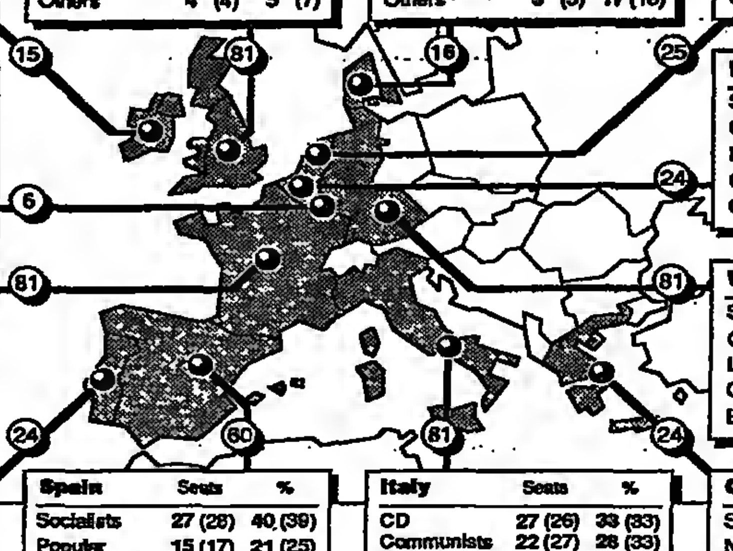
UK	Seats	%
Labour	45 (32)	40 (35)
Conservative	32 (45)	35 (39)
Dem/Alliance	0 (0)	6 (19)
Greens	0 (0)	14 (0)
Others	4 (4)	5 (7)

Denmark	Seats	%
Soc Dem	4 (3)	23 (19)
Anti EC	4 (4)	19 (21)
Liberals	3 (2)	17 (13)
Conservative	2 (4)	13 (21)
Others	3 (3)	17 (16)

Netherlands	Seats	%
Labour	8 (9)	31 (34)
CD	10 (8)	35 (30)
Liberals	3 (5)	14 (19)
Rainbow	2 (2)	7 (6)
Others	2 (1)	13 (11)

Luxembourg	Seats	%
Socialists	2 (2)	27 (30)
CD	3 (3)	33 (35)
Liberals	1 (1)	17 (22)
Others	0 (0)	23 (13)

Belgium	Seats	%
Socialists	8 (9)	27 (30)
CD	7 (6)	30 (27)
Liberals	4 (5)	16 (16)
Greens	3 (2)	14 (8)
Others	2 (2)	11 (17)



France	Seats	%
Socialists	22 (20)	24 (21)
Centre Right*	33 (41)	36 (42)
Communists	7 (10)	8 (11)
ER	10 (10)	12 (11)
Greens	9 (0)	11 (3)

W.Germany	Seats	%
Soc Dem	31 (33)	37 (37)
CD	32 (41)	38 (46)
Liberals	4 (0)	6 (5)
Greens	8 (7)	9 (8)
ER	6 (0)	8 (0)

Portugal	Seats	%
Soc Dem	9 (10)	33 (37)
Socialists	8 (6)	29 (23)
Communists	4 (3)	14 (12)
CD	3 (4)	14 (15)
Others	0 (1)	10 (13)

Spain	Seats	%
Socialists	27 (28)	40 (39)
Popular	15 (17)	21 (25)
Soc Dem	5 (7)	7 (10)
Communists	4 (3)	6 (5)
Others	9 (5)	26 (21)

Italy	Seats	%
CD	27 (26)	33 (33)
Communists	22 (27)	28 (33)
Socialists**	14 (12)	15 (11)
Lib/Rep	4 (5)	4 (6)
ER	4 (5)	5 (6)
Greens	5 (0)	6 (0)

Greece	Seats	%
Socialists	9 (10)	35 (42)
New Dem	10 (9)	42 (38)
Communists	3 (4)	14 (15)
Others	2 (1)	9 (5)

CD = Christian Democrats, Soc Dem = Social Democrats, Prog Dem = Progressive Democrats, Lib/Rep = Liberal & Republicans, ER = Extreme Right
* Centre Right (France) includes, for 1989, both the Giscard and Veil lists, ** Socialists (Italy) includes Social Democrats seats 2 (3), 3% (4%)
Results as expected yesterday afternoon with most counting completed

1989 (1984) Elections (1987 for Spain & Portugal)
24 Seats for each country

Close Dutch race seen as straw poll

By Laura Raun in Amsterdam

FOR THE DUTCH the European election results suggest a neck-and-neck race between the governing Christian Democrats and opposition Labour Party in the run-up to the September 6 general elections.

The Euro-elections were generally viewed as a straw poll for the general elections and indicate some broad trends. The caretaker government of Christian Democrats and Liberals would lose its governing majority now, according to the European vote, which reflects recent opinion polls.

The biggest losers were the Liberals, the right-of-centre partners who brought down the government of Mr Ruud Lubbers, the Prime Minister, last month.

Small, left-of-centre parties which focused on the environment did well, as in the rest of Europe. The Labour Party, however, performed surprisingly poorly, especially compared with Socialists elsewhere. Small, far-right parties gained a little.

In general, fringe parties on the far left and right, and the centrist Christian Democrats, fared well. This reverses the trend in the last general elections, in 1986, when fringe parties lost and mainstream ones gained.

Politicians and pundits are hesitating to extrapolate too closely from the European election to the forthcoming national poll. Voter turnout last Thursday was only 47.2 per cent, the lowest since direct European elections began and about half the 85.5 per cent level in the 1986 elections.

But the clear Christian Democratic gains strengthen Mr Lubbers' hand in his efforts to win a third term in office. Mr Wim Kok, the Labour Party leader, insisted on Sunday night that the left's gains were no reason for Labour to pursue more radical policies in the campaign.

Belgian gains go to Greens and far right

By Tim Dickson in Brussels

THERE were echoes in Belgium yesterday of that once-familiar Ulster election slogan "Vote early and vote often". According to a report in the Francophone daily Le Soir, some residents of the linguistically divided Voeren (or Fourons) commune in the far north-eastern corner of the country took advantage of a new option available to them under last year's political compromise for the territory – and voted twice.

This excitement apart, the main gains in the European elections in Belgium were made by the Greens and the far right. The Flemish speaking Green party Agalev almost doubled its vote to 8.1 per cent but could not add to its single seat in the last Parliament, while its French-speaking counterpart went up from 3.9 per cent to 5.5 per cent of the poll, thereby doubling its Strasbourg members from one to two.

In Flanders, the anti-immigrant and ultra-nationalist Vlaams Blok took a seat and a large slice of the vote from the less extreme Volksunie – and may therefore contribute to the latter's doubts about remaining in Government – while the Christian Social Party (CVP) of Prime Minister Wilfried Martens turned in a creditable performance, going up from under 20 per cent to more than 22 per cent of the vote.

The main losers ware the Flemish-speaking Socialists – down from 17 to 13 per cent of the vote (in the process shedding a seat) – and the French-speaking Liberals in Wallonia who now have just three seats in the Parliament (previously four).

As expected, Mr Leo Tindemans, Belgium's Foreign Minister, resigned to concentrate nn his Strasbourg ambitions, notably his now npen campaign to take over from Lord Plumb as President of the Parliament. He will be replaced as Foreign Minister by Mr Mark Eyskens, a former Prime Minister.

Irish results reflect swing to left in Europe

By Kieran Cooke in Dublin

AS COUNTING continued in Ireland's European elections last night it appeared that results would mirror the European-wide swing to the left. The left-wing Labour Party and the Euro-Communist-style Workers Party both won seats in Dublin at the expense of the governing Fianna Fail Party and the Fine Gael opposition.

Ireland has 15 seats in Strasbourg and most indications pointed to a further drop in the vote for Fianna Fail, with the possibility of the party losing two or three of its eight seats.

The European electinn results are likely to be a further setback to Mr Charles Haughey, Prime Minister. In general elections last week Mr Haughey failed to win tha majority he wanted and Fianna Fail are now being forced to seek some form of alliance with other parties.

Mr Patrick Ryan, the former missionary priest who was at the centre of an extradition row involving Ireland, Belgium and Britain late last year, made an unexpectedly strong showing as a candidate mainly against British policy in Northern Ireland. He failed to gain election but gained more than 30,000 European votes.

In Northern Ireland, Rev Ian Paisley, standing as an independent candidate, again won a seat at Strasbourg, though with a considerably reduced vote. Mr John Hume of the SDLP won his best ever vote in gaining re-election. Mr Jim Nicholson of the Ulster Unionists won the other Northern Ireland Euro-seat.

Sinn Fein, the IRA's political wing, saw its vote slump from the last time around.

Luxembourg constituency seats remain unchanged

By Tim Dickson in Brussels

THE European elections in Luxembourg produced no surprises. The six seats in the Grand Duchy's single constituency divided the same way as in 1984: three for the Social Christians, two for the Socialists and one for the Liberals.

Sunday's national poll, however, represented a setback for all three major parties as voters either turned Green or opted for a new group demanding better pension rights for the private sector.

The *latter – known as the* the five sixths party because that is the generous proportion of final salary paid in the public sector – took around eight per cent of the votes

Discussions between party leaders about the next national government were continuing last night but it is likely that Prime Minister Jacques Santer's Social Christians (who represent the single biggest bloc in the Chamber of Deputies, with 22 seats) will continue their coalition with the Socialists (18).

A new partnership with the Liberal Democrats (11) is possible but it *is* thought Mr Santer is seeking to extract the toughest possible terms this time from the Socialists.

Greece's New Democracy claims first place

By Andriana Ierodiaconou in Athens

THE EUROPEAN elections in Greece coincided with and were obscured by, the general election.

In both contests, the chief contenders were the conservative opposition New Democracy party, the ruling panhellenic Socialist Movement and the Communist Alliance for Progress.

In both, the three parties claimed first, second and third places respectively.

With about one third of the votes counted, New Democracy has scored 41.5 per cent of the vote with 10 seats, Pasok 35 per cent with nine and the Alliance 14 per cent with four. Diana, a Conservative splinter party, polled 1.4 per cent and one seat.

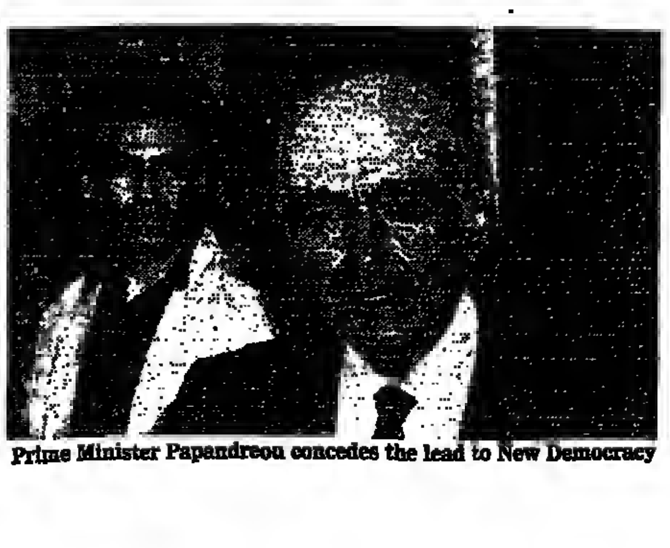
Relative to the national elections, both New Democracy and Pasok lost votes in favour of the Alliance and smaller parties.

The novelty in the Greek Euro-election campaign was the Alliance, a coalition of the Eurocommunist and Moscow-line wings of the Greek Communist movement which, in the 1984 ballot, ran separately.

In joining the Alliance, the orthodox Communist Party of Greece (KKE), which has generally resisted the reforms of Mr Mikhail Gorbachev, the Soviet President, abandoned its absolute position against EC membership.

New Democracy, as the party which negotiated Greece's entry into the Community, sustains an unqualified pro-EC profile with an emphasis on the efficient use of Community funds and the meeting of Greece's obligations to Brussels.

Pasok, which, after an early rejectionist period, now appears to accept that Greece's future lies in the EC, places the emphasis on the social dimension of the 1992 Single Market process and the notion of economic cohesion



Prime Minister Papandreou concedes the lead to New Democracy

EUROPEAN ELECTIONS

Tories anxious to draw lessons from poll setback

UK Conservatives cannot ignore their disappointing results, writes Philip Stephens, Political Editor

AMID THE recriminations there were a few sighs of relief among Conservatives at Westminister yesterday. The Government had done badly – even *Mrs Margaret Thatcher* admitted that she was disappointed – but not quite as badly as some had feared.

So as Mr Neil Kinnock, the Labour leader, proclaimed his party's triumph, the more far-fetched speculation about instant and radical cabinet shake-nps or policy U-turns was beginning to subside.

The message from 10 Downing Street was that it was not Mrs Thatcher's style to be panicked. Though well attuned to the art of the possible, the Prime Minister believes in conviction politics; and that a "resolute" approach will in the end win the votes if not the hearts of electors.

The European result, which showed the Conservative share of the popular vote at its lowest this century, cannot simply be ignored.

The shock came from actually losing an election. The past triumphant decade has not left Conservatives accustomed to defeat – or to allowing the Labour party to present itself as a credible alternative government.

The collapse of the centre parties – with their vote apparently shared mostly by Labour and the Greens – means that it now looks now possible for perhaps the first time during the 1980s for the government to lose a general election.

As one minister put it: "Labour now has sufficient credibility for us to bequeath them a general election if we really mess it up."

So if the government's policies are to remain the same, many ministers are persuaded that the presentation and some, at least, of the personalities will have to change.

Despite Mrs Thatcher's public statement last week that she had not yet turned her mind to ministerial changes, the consensus is that the pressure for s cabinet face-lift sooner rather than later is unlikely to subside. That points to a reshuffle next month rather than in September.

Though the Prime Minister herself set the strident tone of the European campaign, the shake-np looks likely to aim both to reassure the country that the government is keeping its nerve and to give it a softer image.

Speculation yesterday was focusing on the replacement of Mr Peter Brooke as Conservative Party chairman with a cabinet "heavyweight" given the authority to restore the party'a confidence and shake-up its image-makers.

In fact, Mr Brooke was due to move even before the results of the European poll. Mr Norman Fowler, the Employment Secretary, Mr John Major, the chief secretary to the Treasury, Mr Kenneth Baker, the Education Secretary, and Lord Young, the Trade and Industry Secretary, have all figured in the (extremely unscientific) betting at Westminister as his replacement.

For the party's public image, however, the more important changes will be in the key departments. Here the possible permutations – each the subject of intense speculation – are almost endless.

In so far as there is a consensus, the general view is that despite his renewed hostilities with the Prime Minister over exchange rate policy, Mr Nigel Lawson, the Chancellor, will stay on.

His colleagues insist that although the attempt failed, hoth the Chancellor and the Prime Minister did make an effort last week to call a truce. Mr Lawson is said to be anxious to preserve his reputation by getting inflation back down, and Mrs Thatcher is thought to be reluctant to sack him.

The European defeat may also strengthen Sir Geoffrey Howe's chances of staying on as Foreign Secretary.

Mr Douglas Hurd at the Home Office may be a more likely candidate for reshuffling, but the serious money at Westminister is on changes slightly lower down the pecking order.

The surge in support for the Greens makes Mr Nicholas Ridley's days at Environment look distinctly numbered, with Mr Major, and Mr Chris Patten, the Overseas Aid minister and a favourite for promotion to the Cabinet, tipped as candidates to replace him.

Other potential casualties of an attempt to freshen the Goverment's image are Mr Paul Channon at Transport and Mr John Moore at Social Security.

Mr Cecil Parkinson, the Energy Secretary, is tipped for a number of possible options, including merging his present department with the mnch larger Department of Trade and Industry.

Overall, the aim will be to pnt rising, telegenic stars in key positions like environment and transport, without giving the impression that the Government is being pushed into panic reactions.

Ministers, however, are far from sanguine that snch a shake-up will be enough to restore the fortunes of the Conservative Party in the short term.

Greens surge into third place in UK

By Philip Rawstorne

ONE OF the most remarkable surges of electoral support ever seen in British politics brought the Green Party more than 2m votes – 15 per cent of the votes cast, compared with 0.5 per cent in 1984.

At the very least, the move ensures that conservation and environmental issues are now more firmly placed on the political agenda. The big parties will ignore them at their peril.

But by inflicting wholesale damage on the Democrats (SLD) and Dr David Owen's SDP as they moved into third place behind Labour and the Conservatives, the Greens may have laid the basis for a more permanent place as a political force. Party membership is increasing at the rate of 250 a week.

Their situation contrasts starkly with the further collapse in support for the SLD and the SDP – now a bedraggled shadow of the Alliance that fought the last General Election.

Some veteran politicians dismiss the Greens as a passing political phenomenon. Mr Norman Tebbit, former Tory Party chairman, yesterday derided them as "the new dustbin vote".

Leading members of the Green Party, in high euphoria, however, insist that candidates made absolutely clear to voters that their election programme included such policies as the abandonment of nuclear weapons and withdrawal from Nato.

Many of their political rivals also acknowledge that the fact that 2m votes would have brought the party some 11 MPs under a system of proportional representation is likely to provide support for the campaign to change the British first-past-the-post electoral system.

Mrs Sara Parkin, co-secretary for the European Greens, said the British Greens would be working closely in a programme with their European counterparts to ensure that Green pressure was put on the British government. She said voters had evidently seen through Mrs Thatcher's "green commitment."

Whatever the Green Party's future, the election results have ensured a further bout of recrimination in the SLD and the SDP which puts their prospects into more doubt.

Mr Paddy Ashdown, the Democrats' leader, admitted yesterday that with barely 1m votes – 6.5 per cent – it had been "a very disappointing result – bitterly disappointing."

Asked whether he thought much of the problem stemmed from bickering with the SDP, he said: "I certainly do not think that has helped in the slightest".

Mr Ashdown yesterday wrote to all SLD constituency parties urging them to "stick to our course and remember our strengths.

"This is a time to hold our nerve," Mr Ashdown said. "Ws are on the right track. . . We are the only party thet has already shown its commitment to the protection of the environment, not as a vehicle for protest, but as a programme for action in government."

Dr David Owen, whose SDP vote was reduced to 75,000 – the 0.5 per cent level held by the Greens in 1984 – claimed that the centre vote, in which he included the Greens, was still near 20 per cent and showed that Britain had not yet returned to two-party politics.

The Greens would retain a significant vote through the next general election, he predicted. "It has benefited from the demise of the Liberal Party's identity.

It can now be seen that the strength of the 1981-87 Alliance was its capacity to harness together two distinctive strands of political thought – Liberalism and Social Democracy."

When "the shine came off the Green vote" the SLD and SDP would pick up support.

SMILING VICTORS: The Greens David Icke (left) and Labour's Neil Kinnock savour their parties' results

Unexpected triumph gives Labour cause for rare celebration

By Michael Cassell, Political Correspondent

IT was early news of a spectacular win in the Cheshire East euro-constituency which told workers at Labour Party headquarters in south London that they were in for a far better night than they had dared to think was possible.

Voluntosrs at Walworth Road had already been alerted in a telephone call from the party's north-west regionsl organiser that the adjoining Cheshire West seat, where the Conservatives were defending a near-10,000 majority, could fall to Labour.

But while confirmation of the win was swaited, news came through that Cheshire East, with a previous Tory majority of nearly 20,000, had been narrowly won hy Mr Brian Simpson for Labour.

By the time Ms Anita Pollock unexpectedly snatched London South West for Labour from Dame Shelagh Roberts, Mr and Mrs Kinnock were on hand to join in a rare night of celebration.

The morning brought triumphal declarations of political sea-changes and certain general election victories, as well as instant dismissal of any theory that the Tories might be suffering the usual "mid-term blues."

But if the reality is not quite so conclusivo, the euphoria within a party without a national poll win for 15 years was entirely understandable.

Labour had calculated that, by the end of its ten-week campaign, it would make between four and six gains in the European parliament elections. Soms party workers hsd suggested it could take up to ten seats but the leadership, anxious to avoid any apparent set-back in Labour's steady revival, called for caution in making predictions.

While captured seats like the South of Scotland, Cleveland and Humberside had been high on the list of possible victories, gains in constitnencies like Bristol, Leicester and Midlands Central had not figured in the calculations.

No one within the party had dreamed that, by yesterday lunchtime, the satisfaction of Lahour's victory would he sealed with an ironic, mathematical reversal in which the number of seats held by the two major parties would he neatly switched.

Labour took 6.1m votes, or just over 40 per cent of the votes cast nationally. In the process it wiped out Tory representation in Scotland and Wales. The Tories polled 5.2m votes and 34 per ceot of all votes cast.

Compared with tbe last European alections in 1984,Labour achieved a swing of just over four per cent, although it rose above nine per ceot when *compared with the 1987 general* election.

The party at once moved to capitalise on its win, placing particular emphasis on its sbility to pick up votes in those areas of the country where it needs to restore its electoral appeal if it is to win the next general election.

In the Midlands, Labour registered an 11 per cent increase in its share of the vote, the same swing achieved in London. Among its London victories, it took London North, the seat which embraces Mrs Thatcher's own parliamentary constituency of Finchley.

Originally, thore had been some fears that seats like London East, which embraces Docklands, could have succumbed because of advancing "Yuppiefication" hut Labour held on comfortably, as it did in other seats once regarded as potentially vulnerable, like Loodon Sonth Inner. Against the trend, however, there was s 0.3 swing to the Tories in Labour-held London Ceutral.

All the results, however, como with the usual political "health warnings." These elections, unlike the last for the European assembly, come near the mid-way point in the life of the government. The total turnout, although slightly up at 35 per cent, was still less than half the level at the 1987 general election.

Mr Kinnock yesterday quoted the psephologists' suggestions that, if repeated at a general election, Labour would be returned with an overall majority of 20 seats. He believed, howsver, the party would do "slightly better" than that.

But whatever the pundits and pollsters now predict, Labour's performance has provided a perfectly-timed boost to its step-by-step programme for national recovery, following its policy review and several important by-election victories.

Paisley top in Ulster

By Our Belfast Correspondent

THE Rev Ian Paislsy, Democratic Unionist leader, and Mr John Hume, leader of the nationalist Social Democratic Labour Party, were both returned on the first count in Northern Ireland yesterday.

Mr Jim Nicholson, the Ulster Unionist, took the province's third seat, being elected on the second count, after Mr Paisley's surplus votes were redistributed under the proportional representation system.

It means the breakdown of party representation remains unchanged. The turnout of 48.81 per cent produced a quota of 133,703. Mr Paisley topped the poll, receiving 160,110 votes, and Mr Hume saw a 4 per cent increase in his vote, which gave him 136,335 first preference votes.

Mr Danny Morrison, Sinn Fein, scored only 48,914, hlaming the broadcasting ban and Mr Hume's popularity with the media as a "super European".

Mr Laurence Kennedy, the Northern Ireland Conservative candidate, received 25,789 first preference votes, just over 2,000 less than Mr John Alderdice, the moderate Alliance Party runner.

UNITED KINGDOM RESULTS

[illegible]

31.8%

LEEDS

Elmet, Central, East, North East, North West, West, South & Morley, Pudsey (516,691)

M McGowan Lab 97,385 J W Tweddle C 54,867 C R Lord Green 22,558 Mrs J Evens SLD 11,720

Lab maj. 42,518 Poll 36.8% No Change

1984 McGowan Lab 70,595 Holt C 60,178 Cooksey L All 26,097 Maj. 10,357 Lab 43.3% C 38.1% L All 21.8% Maj. 6.2% Poll 31.8%

LEICESTER

Bosworth, East, South, West, Loughborough, Warwickshire North, Nuneaton, Rutland & Melton (579,050)

Ms I M Read Lab 93,798 F A Tuckman C 75,476 C J Davis Green 28,081 A G Barratt Ind C 6,998 G W Childs SLD 6,791

Lab maj. 18,322 Poll 35.8% Lab gain from C

1984 Tuckman C 72,508 Soulsby Lab 69,816 Swanson SDP All 29,656 Barratt Ind C 3,248 Maj. 2,692 C 41.4% Lab 39.8% SDP All 16.9% Ind C 1.9% Maj. 1.6% Poll 31.0%

LINCOLNSHIRE

Bassetlaw, Lindsey East, Gainsborough & Horncastle, Grantham, Holland with Boston, Lincoln, Newark, Stamford & Spalding (586,158)

W F Newton Dunn C 92,043 G Taggart Lab 71,393 Ms J Steranka Green 24,908 J P Heppell SLD 14,341

C maj. 20,650 Poll 34.5% No Change

1984: Newton Dunn C 82,806, Sewell Lab 47,161, Purves L All 37,244, Maj. 45,445. C 50.3% Lab 28.7% L All 21.0% Maj. 20.6% Poll 32.1%

LONDON CENTRAL

Chelsea, City & Westminster South, Fulham, Hampstead & Highgate, Holborn & St. Pancras, Islington North, Islington South & Finsbury, Kensington, Westminster North [illegible]

Dr E C McPhee Green 37,676 A A Kinch SDP 10,186 Mrs M C Willis SLD 9,032 W E Turner PMLM 456

C maj. 7,590 Poll 37.7% No Change

1984 Price C 81,808 Cowan Lab 31,493 Fryer L All 38,814 Turner Ind 889 Maj. 20,015 C 44.6% Lab 33.7% L All 21.2% Ind 0.5% Maj. 10.9% Poll 32.5%

LONDON SOUTH INNER

Dulwich, Lewisham Deptford, Lewisham East, Lewisham West, Norwood, Peckham, Southwark & Bermondsey, Streatham, Vauxhall (528,198)

R Balfe Lab Co-op 90,378 R J Wheatley C 45,360 Ms P A Shepherd Green 28,230 M J Pindar SLD 10,277 P H Power Comm 1,277 Ms O Weppler Comm Lge 323

Lab Co-op maj. 45,018 Poll 32.9% No Change

1984 Balfe Lab Co-op 77,561 Miller C 46,180 Daly SDP All 28,391 Owens Ecology 3,281 Maj. 31,461 Lab 50.9% C 30.3% SDP All 16.6% Ecology 2.2% Maj. 20.6% Poll 28.7%

LONDON SOUTH WEST

Battersea, Epsom & Ewell, Kingston upon Thames, Mitcham & Morden, Putney, Surbiton, Tooting, Wimbledon (486,412)

Ms A J Pollack Lab 74,298 Dame Shelagh M Roberts C 73,780 Ms M A Eison Green 35,476 J C Field SLD 10,400

Lab maj. 518 Poll 39.8% Lab gain from C

1984 Roberts C 70,490 Pollack Lab 53,523 Twigg L All 32,258 Willington Ecology 3,058 Maj. 6,967 C 41.6% Lab 37.6% L All 19.0% Ecology 1.8% Maj. 4.0% Poll 33.9%

LONDON WEST

Brentford & Isleworth, Ealing Acton, Ealing North, Ealing Southall, Feltham & Heston, Hammersmith, Richmond & Barnes, Twickenham (515,581)

[illegible]

1984 Howell C 95,459 Hoading Lab 58,602 Williams SDP All 37,709 Maj. 35,857 C 49.6% Lab 30.5% SDP All 19.7% Maj. 19.3% Poll 35.3%

NORTHAMPTONSHIRE

Blaby, Corby, Daventry, Harborough, Kettering, Northampton North, Northampton South, Wellingborough (587,733)

A M H Simpson C 86,695 M Coyne Lab 66,246 Ms A Bryant Green 43,071 R Church SLD 11,619

C maj. 20,447 Poll 35.3% No Change

1984 Simpson C 86,668 Dickie Lab 48,609 Goodhart SDP All 37,421 Bryant Ind Ecology 3,330 Maj. 38,059 C 49.7% Lab 27.4% SDP All 21.0% Ind Ecology 1.9% Maj. 22.3%

NORTHUMBRIA

Berwick-upon-Tweed, Blyth Valley, Hexham, Newcastle upon Tyne Central, Newcastle upon Tyne North, Tynemouth, Wallsend, Wansbeck (514,083)

G J Adam Lab 110,688 P Yeoman C 50,648 Ms A Lipman Green 24,882 Viscount Morpeth SLD 10,863

Lab maj. 60,040 Poll 38.3% No Change

1984 Adam Lab 78,417 Crichton C 62,717 Scott L All 42,848 Maj. 15,700 Lab 42.6% C 34.1% L All 23.3% Maj. 8.5% Poll 35.8%

NOTTINGHAM

Broxtowe, Gedling, Mansfield, East, North, South, Rushcliffe, Sherwood (595,354)

K Coates Lab 82,261 + M L Kilby C 77,748 Mrs E E Blount Green 34,097 A Swift SLD 6,893

Lab maj. 14,513 Poll 37.2% Lab gain from C

1984 Kilby C 82,500 Coates Lab 66,374 Melton L All 33,169 Maj. 16,126C 45.3% Lab 36.5% L All 18.2% Maj. 8.8% Poll 32.8%

OXFORD & BUCKINGHAMSHIRE

Aylesbury, Beaconsfield, Buckingham, Chesham & Amersham, Henley, Oxford East, [illegible]

Lab 18.9% Maj. 20.7% Poll 36.0%

STAFFORDSHIRE EAST

Burton, Staffordshire Mid, Leicestershire North West, Derbyshire South, Staffordshire South East, Stoke Central, Stoke North, Stoke South (561,127)

G W Stevenson Lab 94,873 M F Spungin C 63,104 S Parker Green 23,415 R C Dodson SLD 7,046

Lab maj. 31,769 Poll 32.4% No Change

1984 Stevenson Lab 76,753 Moreland C 68,856 Fox SDP All 26,093 Maj 7,897 Lab 44.7% C 40.1% SDP All 15.2% Maj 4.6% Poll 30.5%

STRATHCLYDE EAST

Cumbernauld & Kilsyth, East Kilbride, Glasgow Rutherglen, Hamilton, Kilmarnock & Loudoun, Monklands East, Monklands West, Motherwell North, Motherwell South (494,274)

K D Collins Lab 109,170 G A Leslie SNP 48,853 M Dutt C 22,233 A Whitelaw Green 9,749 G Lait SLD 4,276

Lab maj. 60,317 Poll 39.3% No Change

1984 Collins Lab 90,792 Leslie SNP 27,330 Lucide C 24,867 de Soume L All 11,633 Maj. 63,462 Lab 58.8% SNP 17.6% C 16.1% L All 7.7% Maj. 41.0% Poll 31.1%

STRATHCLYDE WEST

Clydebank & Milngavie, Cunninghame North, Dumbarton, Eastwood, Greenock & Port Glasgow, Paisley North, Paisley South, Renfrew West & Inverclyde, Strathkelvin & Bearsden (493,097)

H R McMahon Lab 88,827 C M Campbell SNP 50,036 E J Robin C 45,872 C Campbell Green 16,461 D J Herbison SLD 8,086

Lab maj. 38,791 Poll 42.8% No Change

1984 McMahon Lab 70,234 Lait C 47,198 Herriot SNP 28,868 Herbison SDP All 25,935 Maj. 23,036 Lab 40.8% C 27.4% SNP 16.7% SDP All 15.1% Maj. 13.4% Poll 34.5%

[illegible]

15.3% Ecology 2.0% Maj. 16.9 Poll 40.2%

WALES NORTH

Alyn & Deeside, Clwyd North West, Clwyd South West, Delyn, Wrexham, Caernarfon, Conwy, Meirionnydd Nant Conwy, Ynys Mon, Montgomery (540,230)

J Wilson Lab 83,638 Miss B A Brookes C 79,178 Dr D E Thomas Plaid Cymru 64,120 P H W Adams Green 15,832 R K Marshall SLD 10,058

Lab maj. 4,460 Poll 46.8% Lab gain from C

1984 Brookes C 69,139 Ellis SDP All 56,861 Campbell Lab 54,768 Iwan Plaid Cymru 38,117 Maj. 12,278 C 31.6% SDP All 26.0% Lab 25.0% Plaid Cymru 17.4% Maj. 5.6% Poll 42.4%

WALES SOUTH

Cardiff Central, Cardiff North, Cardiff South & Penarth, Cardiff West, Vale of Glamorgan, Bridgend, Ogmore, Pontypridd, Aberavon (520,911)

W David Lab 108,550 A R Taylor C 45,983 G P Jones Green 25,993 P J Keelan Plaid Cymru 10,727 P K Verma SLD 4,037 D A T Thomas SDP 3,153

Lab maj. 62,567 Poll 38.0% No Change

1984 Griffiths Lab 99,936 Pattman C 55,678 Davies L All 26,588 Hughes Plaid Cymru 13,281 Maj. 44,258 Lab 51.1% C 28.5% L All 13.6% Plaid Cymru 6.8% Maj. 22.6% Poll 36.4%

WALES SOUTH EAST

Blaenau Gwent, Islwyn, Monmouth, Newport East, Newport West, Torfaen, Caerphilly, Cynon Valley, Merthyr Tydfil & Rhymney, Rhondda (561,066)

L T Smith Lab 138,872 R J Young C 30,384 M J Witherden Green 27,869 Ms J Evans Plaid Cymru 14,152 P Nicholls-Jones SLD 4,661

Lab maj. 108,488 Poll 38.4% No Change

[illegible]

Cautious Germans turn green at genetics research

Environmental fears stall chemical groups' advances in biotechnology, writes Peter Marsh

"WOULD you like to visit our museum?" asks Professor Hans-georg Gareis, board member for pharmaceuticals at Hoechst, the big West German chemicals group.

The question is tinged with irony and not a little bitterness. Prof Gareis is talking about a gleaming new DM65m (£21m) chemicals plant which for the past two years has been mothballed because of objections from environmental groups.

The story behind the delay touches on the deep gulf between West Germany's chemicals industry, the biggest in Europe, and environmental groups who accuse the business of not being sufficiently rigorous on pollution control.

In the case of the Hoechst plant, a mass of steel tubes and pressure vessels which fills a five-storey building in the middle of the company's main production complex in Frankfurt, there is an added dimension.

The factory is intended to be West Germany's first full-scale production plant which makes substances using relatively novel methods of genetic engineering.

This technology is thought by some chemical-industry critics to be fundamentally unsafe although the fears are dismissed by most scientists.

The row over the Hoechst plant is an important test case which may determine to what degree genetic engineering and other novel biotechnology methods become accepted in Germany over the next few years.

How the battle progresses is important not only to Hoechst but to the other two big German chemicals companies, Bayer and BASF. They are the three largest companies in a world chemical industry which is likely increasingly to turn to biotechnology during the 1990s to make new and existing products more efficiently.

All three German groups have hinted they may choose to site at least some of their new chemical plants in other countries if genetic engineering and other novel technologies continue to be looked upon unfavourably in Germany.

Biotechnology encompasses a set of techniques, including genetic engineering, which have been devised in the past 15 years for manipulating tiny biological fragments in plant or animal tissue.

The methods are based on swapping around the genetic building blocks which regulate the body's growth and the way people and animals transfer some of their biological characteristics to their offspring.

These techniques are highly applicable to making drugs and other health-related products. With the new procedures, scientists can splice small strands of genetic fragments into naturally occurring organisms such as bacteria.

Depending on the genetic instructions coded into the fragments, these organisms proceed to manufacture large quantities of biological substances which may be useful as drugs or other chemicals.

In the case of the Hoechst plant, scientists intend to breed in it large volumes of bacteria which have been "programmed" to make a synthetic form of insulin, a material secreted naturally in the body and which plays a vital part in regulating human metabolic processes.

Synthetic insulin, for which there is a world market estimated at some $750m a year, is in increased demand for giving to people with diabetes whose bodies do not make enough of the substance.

Hoechst believes its insulin plant is perfectly safe and should prove a more efficient method for making the product – which until recently has mainly been obtained from animal carcasses.

The company also points out that its genetically-based production technique largely replicates what Eli Lilly, a US drugs group which is the world's leading insulin supplier, has been doing for several years with little fuss in its own plant in Indianapolis.

That does not satisfy German critics of genetic engineering, who come largely from a series of radical groups, some of them associated with the Green Party.

Many of these objectors believe genetic engineering is ethically unacceptable on the grounds that it interferes with some of the most basic aspects of the life process.

A more pragmatic argument is that biological tinkering of this kind may be inherently unsafe. It could lead to the escape of genetic mutations which might disrupt aspects of plant or animal development.

Most people in the scientific community believe such fears are far-fetched. No horror stories of this kind have so far emerged in the US where most commercial applications of genetic engineering have taken place.

But few scientists are prepared to state categorically that unpleasant side-effects to the technology will never happen as the still-infant discipline develops over the next few decades.

The Hoechst plant has been delayed by objections filed to the Hesse state authority, which has jurisdiction over planning matters in the Frankfurt area.

There is little doubt, however, that the objectors have significant allies elsewhere in Germany. Much of German public opinion, influenced by the rise of the Green Party and by politicians and media representatives strongly susceptible to environmental arguments, is suspicious about the future social impact of genetic engineering and also about the environmental effects of the chemical industry generally.

This stance infuriates the German chemical companies which point to their generally good record on environmental issues and to the increasing sums they are spending on environmental measures. Cash spent by the industry on pollution-related measures such as systems for disposing of wastes is now running at about DM5bn a year, including capital and revenue costs.

The genetic engineering issue surfaced last year, just as the Hoechst saga was unfolding, when BASF decided to site a new $40m biotechnology laboratory not in Germany but in Massachusetts. One of the factors, the company admitted, was the poor social and political climate for this type of research in its home country.

The decision is thought to have worried political leaders, including Chancellor Helmut Kohl, on the grounds that the hostile atmosphere towards the technology could mean Germany lost out in a field which might turn out to be highly important commercially.

The poor reception given to genetic engineering certainly concerns Prof Gareis, who is one of Germany's most distinguished industrial scientists and who has been involved in the discipline virtually from its inception. Prof Gareis blames the highly democratic nature of Germany's legal system for the impasse concerning Hoechst's facility.

Much of this was put in place after the Second World War to inject into planning processes a large element of public participation as a way of ensuring the country could not return to a dictatorship.

"The process has gone too far," says Prof Gareis. "You can't stop everything just because a small group of people object."

Even more closely affected than Prof Gareis by the delays to the Frankfurt plant is Mr Frank Schmidt, a 33-year-old biologist who is a laboratory leader at the factory.

He has worked there since it was completed and is resigned to its lack of operation – apart from making small quantities of material for research rather than full production – until at least 1992.

Mr Schmidt has given groups of objectors tours of the plant and is dismayed by their lack of scientific knowledge. He says they do not listen to reason and that the delay is harming his career. "The whole situation is confusing and silly," he says.

As for Prof Gareis, he says that if Germany persists in its general attitudes towards biotechnology, Hoechst and other chemicals companies will put their new plants in Japan or the US. "But I hope this won't happen. The politicians will have to listen to our arguments. The Germans are crazy – but not that crazy," he says.

Prof Gareis, one of West Germany's most distinguished industrial scientists and who has been involved in genetics research from its inception, blames the highly democratic nature of Germany's legal system, put in place after the Second World War to guard against any return to a dictatorship, for the impasse over Hoechst's chemicals facility

Top Soviet official sharply criticised

By Quentin Peel in Moscow

A NEW FRONTIER of glasnost was crossed in Moscow last weekend, as a leading government newspaper launched a scathing attack on a top communist party official nominated to be one of the most important members of the new Soviet Government.

The victim of the onslaught was Mr Gennady Bogomyakov, regional party boss in the vital oil and gas-producing zone of Tyumen, in western Siberia, and now proposed by Mr Nikolai Ryzhkov, the Prime Minister, to become the new minister of oil and gas.

At any other time in decades of Soviet rule, Mr Bogomyakov could have hoped for a straight ride into his ministerial limousine from here on.

After more than 15 years' service as party chief in a key province, he was being summoned to the big time in Moscow. Confirmation by the Supreme Soviet should be a mere formality.

Instead, he found himself the target of a diatribe in the columns of nothing less than Izvestia, the official newspaper of the Soviet Government.

The gist of the attack was that Mr Bogomyakov had turned his region into a social and environmental wasteland, *in his hectic drive to develop* the gas and oil fields. Housing, health, culture and social amenities had all been ignored during the party leader's rule, a special correspondent for the newspaper wrote.

But the most damning indictment came only last autumn. A string of party organisations at factories and other enterprises refused to nominate the first secretary to stay on the party committee. "Among his opponents were even members of the local KGB," he said.

When he finally came up for election at the regional party conference in December, he was opposed by an unprecedented 20 per cent of the members. Worse was to come. When he stood - unopposed – to become a member of the new Congress of People's Deputies, Mr Gorbachev's super-parliament, last March, he failed to get even 50 per cent votes in favour, and was scratched from the poll.

Imagine the surprise, therefore, when the people of Tyumen saw their party boss had been nominated instead for such a lucrative post in the new-look Soviet Government, by none other than Mr Ryzhkov himself.

In the old days, Mr Bogomyakov might have laughed it off. But this week he has to face confirmation from people's deputies who did get popularly elected – even if some were more popular than others.

The committees and commissions of the new Supreme Soviet began sittings yesterday to consider members of the new administration, from which more than 50 ministers have been axed, and 25 ministries removed for good. The party boss from Tyumen was supposed to be one of the new generation. It seems, for once, that questions may be asked in the house.

Moscow outlines arms priority

By William Dullforce in Geneva

THE NUMBER ONE issue for Moscow in the nuclear arms talks with the US is to reach understanding on the link between a 50 per cent cut in the numbers of strategic missiles and observance of the 1972 anti-ballistic missile (ABM) treaty, Mr Yuri Nazarkin, the Soviet Union's chief negotiator, said here yesterday.

He spoke after his first meeting with Mr Richard Burt, the US chief negotiator, as the two entered the 11th round of talks on long-range nuclear weapons and space defences.

Differences over the linkage could be resolved by applying the formula agreed by former President Ronald Reagan and President Mikhail Gorbachev at their Washington summit meeting in December 1987, Mr Nazarkin said.

The Soviet Union claims the US agreed then to continue observing the ABM treaty, which strictly limits defences against ballistic missiles. President Reagan later argued for a "broad" interpretation to enable the US to continue with his Strategic Defence Initiative and eventually deploy anti-ballistic weapons in space.

Move towards freer Berlin

By Leslie Colitt in Berlin

EAST GERMANY'S leader, Mr Erich Honecker, agreed to ease contacts between East and West Berlin yesterday at a meeting with West Berlin's governing Social Democratic Mayor, Mr Walter Momper.

West Berliners will be allowed to enter East Berlin and East Germany under a greatly simplified procedure and will be able to spend up to 48 hours in two adjacent East German districts.

East Germany and West Berlin agreed to co-operate on environmental protection, culture and science and Mr Momper suggested both sides propose that the Olympic Games should be held jointly in East and West Berlin in 2004.

It was Mr Momper's first meeting with Mr Honecker since he took office as Mayor earlier this year.

Solidarity landslide in Polish second-round elections

By Christopher Bobinski in Warsaw

SOLIDARITY has captured all but one of the 100 seats in Poland's Senate and each of the 161 seats allocated to non-Communist and allied party members in the 460-seat Sejm, the lower parliamentary chamber, unofficial results after a second round of voting show.

The turnout in the second round at 25 per cent was low on a day which was mainly devoted to choosing candidates for the seats reserved for the established parties including the Communists in the Sejm and races for eight still unfilled Senate seats.

It was only in Pila in north-western Poland that Mr Henryk Stoklosa, a former Communist party member who since 1982 has turned his hand to manufacturing animal feed additives with considerable financial success, managed to wrest a seat from Solidarity.

Next week the Communist Party's Central Committee is due to meet to discuss the party's candidature for president, expected to be Gen Wojciech Jaruzelski, the party leader. The Communist Party and its allies should have enough of a majority in the Sejm and Senate combined to elect him president.

The Solidarity-dominated Senate has the right to amend Sejm legislation and the results of the elections mean that the authorities no longer have the two-thirds majority they need in the Sejm to overturn such amendments, leaving legislation from now on at the mercy of a Solidarity veto.

UK NEWS

Britain faces rail strike unless court issues ban

By Fiona Thompson, Labour Staff

BRITAIN faces a national rail strike from midnight tonight unless the Appeal Court this morning grants British Rail an injunction outlawing a 24-hour strike by the National Union of Railwaymen.

In the High Court yesterday, Mr Justice Vinelott refused to grant BR the injunction.

BR made its application on the grounds that the NUR had not properly conducted its ballot, but the judge said that a fair evaluation of the evidence put forward by BR did not "come anywhere near" justifying the granting of an injunction.

NUR members on London Underground are also set to strike from midnight tonight despite the NUR agreeing to go to the Acas conciliation service this morning to discuss the dispute its members have with Underground management.

"Time is against us," said the NUR yesterday. "We've wasted several critical days through BR's astonishing action which has rebounded largely on London Underground."

In the High Court, Mr Justice Vinelott said he would not be justified in concluding that there was any real possibility, on BR's evidence, that it would succeed at a full trial.

"However strong the public interest and serious losses to BR, they cannot outweigh the absence of any substantial ground for granting an injunction," he said.

British Rail claimed that it had received numerous complaints that NUR members had not received strike ballot papers.

However, the judge said that even if some union members had not been given the opportunity to vote on the action, this would not have invalidated the ballot because their votes would not have altered the overall decision to call the strike.

The NUR balloted its 70,000 members on taking strike action over a rejected 7 per cent pay offer and the abolition of national pay bargaining. In a 70 per cent turnout, the rail workers voted by 29,675 to 20,704 for a series of 24-hour stoppages.

In a 50-minute judgment after a three-hour hearing, the judge said there was no suggestion of any dishonesty in the union's alleged failure to ballot all its members.

British Rail had taken an "extreme stand", claiming that even an inadvertent failure invalidated the ballot.

But the judge disagreed. He said that over the weekend the NUR had collected an "impressive body of evidence."

Much of the BR evidence checked by the union had been shown *prima facie* to be unfounded.

The judge said BR's evidence was "largely indirect" – the NUR pointed out that there was no evidence that those who said they were not given the opportunity to vote were actually interviewed.

"There is a very big difference between saying that a member has not been given a voting paper and saying he was deprived of the opportunity of voting," said the judge.

"There is no room for doubting the validity of the ballot in this case," he said.

BR's appeal will be heard this morning by Lord Donaldson (Master of the Rolls; the most senior of the Law Lords), Lord Justice Butler-Sloss and Lord Justice Stuart-Smith.

The three judges were told last night that it would be essential for the appeal result to be known by 1pm today.

Mr Paul Watkinson, BR's employee relations director, said after yesterday's court ruling: "We fell at the first fence, but one fence does not make a race."

Stewards call off wildcat docks strike

By Jimmy Burns, Labour Staff

THE 12-day unofficial docks strike was called off yesterday by shop stewards after more than 2,000 dockers at Tilbury, Garston and Liverpool voted to return to work by today.

The stoppages were called off as the House of Lords began to hear an appeal by the TGWU transport union against an Appeal Court ban on official docks strike action.

The National Association of Port Employers (Nape) predicted that from today there would be "business as usual" throughout Britain's ports.

It added: "We are glad that the dockers have realised the futility of their strike action."

Mr Jimmy Nolan, the unofficial strike leader, warned that if the House of Lords ruled against the union, there would be further strike action.

Mr Nolan said: "It all rests on the House of Lords. If they fail us, then the strike will be back on again and I am convinced that each registered docker in the country will join us."

In Tilbury, however, some shop stewards privately conceded that the the refusal of dockers in at least two key ports – Southampton and Hull – to continue working last week had limited the impact of the unofficial strike.

They indicated that even if the House of Lords ruling went against the union, they would not immediately back another unofficial strike.

The next stage in the dispute, after the court case, is likely to be made clear at the union's annual conference which begins on June 26.

A motion before the conference from delegates urges a future Labour Government to preserve and extend the Dock Labour Scheme which Mrs Thatcher's Government is committed to abolishing next month. The scheme regulated employment and working conditions at 64 British ports.

The motion is likely to lead to a major and potentially acrimonious debate about the union's handling of the dispute during which there were strong calls for national strike action.

Mr John Connolly, the national docks officer, said that his union could not decide on whethar or not to hold another strike ballot until the House of Lords had made its ruling.

TGWU officials are insisting, however, that a new strike ballot will be organised if the House of Lords rules in the unions' favour.

They remain confident that a renewed strike call in support of a nationally-negotiated agreement with employers will be supported by a majority of workers.

● Ian Hamilton Fazey adds: The Port of Liverpool has lost one shipper bringing in 100,000 tonnes of cargo a year as a direct result of the unofficial action.

Canada Maritime, which was set up three years ago to operate a monthly roll-on, roll-off service between Montreal and the UK, is going to stay at Cardiff, in Wales, where it moved when the Liverpool men closed down their port.

Consultancy plan attracts 28,000 companies

By Charles Batchelor

SOME 28,000 email and medium-sized British companies have applied for subsidised management consultancy help under the Enterprise Initiative since it was launched 18 montha ago, Lord Young, Trade and Industry Secretary, said yesterday.

The consultancy scheme has been successful in helping smaller companies improve their management stratagy, Lord Young said. However, despite extensive television advertising, it has still reached only 15 per cent of its target market.

To broaden the appeal of the scheme, the Government will use the proposed Training and Enterprise Councils, to help deliver the initiative. The Government plans a network of 80 local TECs, private sector led organisations which are to take over responsibility for training and small firms assistance, in England and Wales.

Of the 28,000 companies which have applied for the initiativa 19,000 have heen approved, a small number have been turned down or referred to other schemes while the rest are still in the five-week 'pipeline' awaiting consideration.

The initiative pays half of the cost (two thirds in assisted and urban programme areas) of between five and 15 days' consultancy advice to firms employing up to 500 people.

The first in-depth review of the scheme, carried out by consultants Segal Quince Wicksteed, showed that it had prompted nine out of 10 applicants who would not otherwise have sought such help to apply for consultancies in areas such as marketing and design.

Main banks may join new student loan scheme

By David Thomas, Education Correspondent

SOME of Britain's main commercial banks look set to participate in a new private company to administer Government proposals for student loans unveiled yesterday.

The company will administer the maintenance loans, to be introduced in September 1990 for the Government. They will charge in return a fee to account for administration charges and the company's success rate in recovering the loans from graduates.

When the scheme is operational more than 1m students will be eligihle in any year for a loan – worth over £400 on average in a full year.

When the Government announced its loan proposals in Novemher, it had hoped that financial institutions would bid against each other to administer thc scheme. Howaver, thc institutions proved reluctant to participate at first, fearing to be seen as the Government's debt collecting agency among students.

The institutions proposed a collective solution, whereby individual institutions would be free to join a single administrative agency.

Under the scheme announced yesterday by Mr Kenneth Baker, Education Secretary, students will be able to present their loan certificate either to branches of institutions participating in the company or to the company itself.

No financial institution has agreed to join the company before further talks to be held about the details with the Government, hnt Mr Baker told the House of Commons he was confident that enough institutions would wish to participate to ensure that the company was viable.

Lloyds and National Westminster reacted cantiously, saying they would await the outcome of the further talks. Barclays and Midland were more positive.

"Provided the issues that are ontstanding can be resolved, there is a likelihood that most of the big banks including Barclays will participate," Mr Seymour Fortescue, director of Barclays' retail banking operations, said.

Midland added: "ohviously we're interested, though it's too early to say yes or no."

Mr Baker said the scheme would cost between £10.4m and£14m a year to operate, equivalent to £9-£12 per student account a year in 1995, when the scheme is operational.

Default costs would be additional and are estimated at about £6m a year on the basis of assumptions in the Government's draft law published in Novemher. Theee figures exclude the interest rate subsidy huilt into the Government's scheme.

The Government has also agreed to meet further start-up work by the Committee of London Scottish Bankers and by the new company, estimated at between £8.3m and £11.5m.

Alternative estimates of the scheme's costs as high as £250m a year have been given by independent observers, but these have been dismissed as inflated by the Government.

Mr Baker also announced that graduates will repay the loans over a standard period on the basis of equal amounts, adjusted annually for inflation.

The obligation to repay will be deferred when a graduate's income falls below certain levels. The Government may use multiple cut-off points, allowing it to distinguish between different types of graduates on the basis of earning power.

The National Union of Students said last night the banks would regret participating in the schcme. It said it may organise a student boycott of participants. However, one senior clearing banker was already speculating yesterday about inclnding the Government loan in the bank's existing package of offerings for students.

In Brief

BSB raises £70m amid troubled launch

BRITISH Satellite Broadcasting, the satellite television company, has raised an additional £70m in commitments from its 10 shareholders. The latest round raises the total raised by the BSB consortium in cash, guarantees and corporate commitments to £423.5m.

The new commitment will be seen as a vote of confidence in the project by shareholders despite serious technical problems and the fact that Mr Rupert Murdoch's rival Sky Television will have an extra six months to build up an andience.

Petrol cuts

Shell, Esso and British Petroleum, which between them control about 60 per cent of the UK petrol market, announced reductions in the wholesale price of petrol of up to 6½p in response to a cut of 6p per gallon by Petrofina on Friday.

Biotech research

Nine UK groups, including Alcan, Croda, Wellcome and Unilever have declared an interest in a £7.5m, government-backed research programme to boost industrial use of biotechnology.

BA strike ballot

British Airways cabin crew who are members of the Transport and General Workers' Union will be balloted on strike action in support of a dismissed air stewardess. BA indicated the dismissal decision was irreversible.

ICI pay offer rejected

Union leaders of Imperial Chemical Industries' 29,000 manual workers have rejected an 8.8 per cent pay offer. They had been pressing for a significant improvement on the initial offer of 7.6 per cent.

Forklift buyout

Hamech, British-owned forklift truck maker with an annual turnover of £24m, has been bought by its board of directors after 23 years in the ownership of its founder, Mr Peter Hawkins.

Think-tank calls for 'new Hong Kong' in Scotland

A NEW Hong Kong could be recreated on the remote west coast of Scotland to provide the colony's residents with a haven from the Chinese takeover, according to a radical plan pnt forward yesterday.

Coastal sites in Wales or Cumbria are othar possible options for a new colony, according to the Adam Smith Institnte, the free market think-tank.

It says Britain has a moral responsibility to help those among the 3.2m British passport holders frightened that recent events in Peking may be repeated after 1997.

There is no room in Britain's congested towns and cities and other countries would be unlikely to take a large number of refugees, Mr Douglas Mason, the institute'e domestic policy adviser, argues.

The answer is to allow former Hong Kong residents to duplicate their enterprise economy in a new colony at a sparsely populated coastal site in Britain.

Mr Mason – whose report on the poll tax in 1983 formed the basis for the Government's community charge – suggests the site could be in Wales, Cumbria, north-west England, or Scotland.

Scotland would be particularly appropriate given its long history of liberal economic thought, its record of racial tolerance and its strong economic growth, he says.

A Home for Enterprise, Adam Smith Institute, PO Box 316, London SW1P 3DJ, £9.

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Sweden, Norway attack Britain's acid rain record

By John Hunt, Environment Correspondent

THE SWEDISH and Norwegian Governments are mounting a campaign today criticising Britain's performance over the reduction of sulphur dioxide which contributes to the acid rain damaging forasts and lakes in Scandinavia.

A spokesman for Issue Communications, the public relations company handling the campaign, said that the Swedes and Norwegians had been negotiating the issue with Britain's Departments of the Environment and Energy for some time.

However, because of lack of progress the two governments bave decided to go pnblic. They are launching their campaign at the Central Electricity Generating Board's Power Plant UK exhibition in Birmingham today and are likely to take the campaign on tour later.

Mr Steve Newman of Issue *Communications said that* Norway and Sweden had been completely frustrated hy the talks.

A statement from the two governments says that Britain's 42 fossil-fuel power stations are "environmentally dirty." It says that only one, Drax in Yorkshire, is being cleaned up for operational use by 2003 – the deadline hy whicb the UK must have achieved a 60 per cent cut in sulphur emissions under a European Community directive.

The statement adds there is growing concern that Britain's commitment to a 60 per cent cut is likely to slip drastically. This was denied last night by the Departments of the Environment and Energy. They said that the UK is still committed to the EC target.

● Norway and Sweden see the impending privatisation of the alectricity industry as an opportunity for the British Government to impose tight environmental controls but think that early signs are not encouraging.

A Harris poll commissioned in Britain by Issue Communications showed that 84 per cent of tha pnblic thonght that coal-fired power statinns should be fitted with scrubbers to reduce sulphur, even if this meant a 5 to 10 per cent increase in electricity bills.

A spokesman for the Central Electricity Generating Board last night pointed out that a £1.8bn programme for desulphurisation equipment at six power stations was already underway with Drax as the first.

There was also a programme to reduce nitrogen oxide emissions at 12 other stations and all new coal-fired plant would be fitted with desulphurisation equipment.

SE prosecution of insider dealing to be limited

By Richard Waters

THE Stock Exchange will not prosecute the most significant cases of insider dealing, although it is expected to be given powers to pursue minor cases, it emerged yesterday.

The Department of Trade and Industry is due shortly to introdnce an amendment to the Companies Bill, which is currently at the committee stage, giving the Exchange the ability to prosecute cases.

This should speed up those cases where the exchange already carries out most of the investigatory work but has to pass on its findings to the DTI for prosecution.

The exchange is unlikely to become involved in any highly visible cases, however.

This is partly because the exchange, while being able to prosecute, would not have the powers available to DTI inspectors under section 177 of the Companies Act. This grants powers to question witnesses and inspect documents.

Investor watchdog clampdown on adverts

By Sara Webb

THE Sacnrities and Investments Board, the main financial services indnstry watchdog, plans to clamp down on fraudulent and misleading advertisements for the different kinds of investments on offer hy monitoring advertisers much more closely in future.

The SIB and the self-regulatory organisations which oversee specific financial services sectors (Lautro, Fimbra, TSA, AFBD, and Imro) yesterday called on the public to help keep an eye out for offending advertisemants related to investment prodncts snch as life assurance, unit trusts, personal pensions, futures, options and personal equity plans.

The regulatory bodies will be paying closer attention to advertisements on television, radio, in the press and via direct mailing in the hope of detecting fraud early on.

The aim is to improve the *protection offered* to investors, although the regulatory organisations admitted yesterday thet the scheme probably would not have helped in detecting such scandals as the Barlow Clowes affair.

The monitoring service is also intended to end misleading or confusing advertisements and the regulatory organisations have issned a brochure of guidelines for the public.

The main areas of concern include advertisements which lack adequate warning about the risk entailed in an investment, or which contain poor descriptions of the product being advertised. The SIB is also anxious to stop advertisements "where past performance is dressed up as possible future performance", according to Mr Kit Jebens of Lautro.

The new monitoring service will cost about £40,000 in the first six months, and will come out of subscriptions from regulatory body members.

The regulatory bodies will liaise with the Independent Television Association, the Cable Authority, the Direct Mail Services Standards Board, and the Local Anthorities Co-ordinating Organisation on Trading Standards.

Trade chief queries EC role in mergers

By Nikki Tait

SIR Gordon Borrie, director general of the Office of Fair Trading, yesterday questioned whether it would be possible for the European Commission to have exclusive control in practice over "pan-European" mergers.

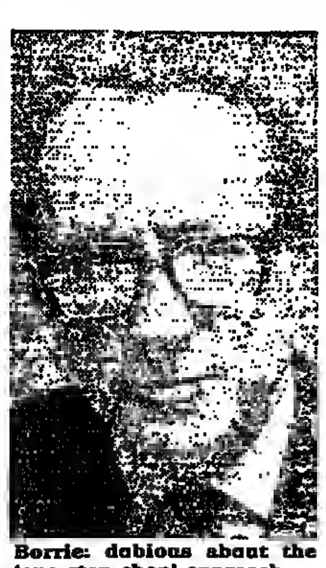
He also stressed the need for close liaison between national merger authorities and the Commission if a new form of EC control is adopted. He also emphasised that merger decisions taken by the Commission should concentrate solely on the competition implications of the deal, rather than wider social, industrial or economic policy issues.

Sir Gordon argued at a workshop of the International Bar Association in Berlin, that even if the Commission had exclusive jurisdiction over certain mergers, "it is doubtful whether in practice a 'one-stop shop' for the consideration of those mergers can be assured."

"The idea of 'one-stop shop' has attractions hut in practice, I doubt wbether it will be a reality in many cases," said Sir Gordon. "To the industrialist, speed and legal certainty are desirable. He will not be prepared to go to only one authority if there is any possibility that another will also have jurisdiction at a later stage."

He conceded there appeared to be general agreement that no national authority should have the right to permit a merger which the Commission had prohibited as anti-competitive. However, he raised the question of whether a national autborlty should be able to block a merger, covered by the regulation, which had been cleared at Commission level.

"It is envisaged that under the latest proposals the Commission will clear, within one month, an estimated three-qnarters of all the mergers which come within the scope of the regulation," he said. "No formal decision will be taken in these cases when it seems clear at this initial stage tbat there are no competition problems.


Borrie: dobious about the 'one stop shop' approach

Some member states argue that these mergers, on which the Commission makes no specific decision, should fall back into the member states' jurisdiction."

Sir Gordon also pointed out that there would be provision for member states to intervene when "legitimate national interests" were at stake and the possibility of legal action in national courts under the Treaty of Rome would not be discounted.

"While I understand the reasons why Sir Leon Brittan and his predecessor have stressed the importance of a 'one stop shop'... I think that in practice there will be less of a 'one stop shop' than many are assuming."

Moslems to challenge law of 'Christian' blasphemy

Religious leaders win reprieve on bid to bring Rushdie to court

By Robert Rice, Legal Correspondent

MOSLEM leaders were yesterday given leave by a High Court judge to challenge the refusal of a Bow Street magistrate earlier this year to issue blasphemy summonses against Mr Salman Rushdie, author of The Satanic Verses, and his publishers, Viking Penguin.

The magistrate had refused to issue summonses on the ground that the law of blasphemy only applies to Christian beliefs.

Granting leave to Mr Abdal Choudhury, convenor of the British Muslim Action Front, Mr Justice Nolan warned that his decision was not to be taken as sign for further demonstrations which might lead to breaches of public order and prove counter-productive.

The judge said his decision to grant leave was based on a 1980 High Court ruling which stated that in a case where the existence of an offence was disputed, both parties should be heard before it was decided whether the offence was "known" to English law or not.

He warned the Moslems, however, that legal precedent was against them. The House of Lords had clearly established in the 1978 prosecution of the magazine, Gay News, over publication of a poem about a homosexual's conversion to Christianity, that a blasphemous libel was "a matter calculated to outrage the feelings of Christians."

However, that case had involved a clear attack on Christianity and had not addressed the issues which Mr Choudhury wished to put forward, the judge said.

After the hearing, Mr Ali Azhar, counsel for Mr Choudhury, said his clients would now be seeking the whereabouts of Mr Rushdie to serve him with legal documents.

Mr Rushdie has been in hiding under Special Branch protection since he was sentenced to death by the late Ayatollah Khomeini of Iran in January.

Mr Azhar said: "We will now seek to show that any religion, including Islam, can be included in the offence of blasphemy."

The offence of blasphemy relates to outrageous comments about God, holy personages or articles of faith.

Since 1838, the law has been thought only to protect Anglican (Church of England) beliefs and has largely fallen into disuse. The 1978 Gay News prosecution is the only one to have been brought since 1922.

It involved a close re-examination of the blasphemy laws establishing that the words complained of must speak for themselves and that the intention of the publisher is irrelevant.

Once publication has been proved, the only issne for a jury to decide is whether the dividing line between moderate and reasoned criticism and immoderate or offensive treatment of Christianity or sacred subjects, has been crossed.

In 1981, the Law Commission concluded that there was no point in reforming the law. Its ambit was so wide that it was impossible to predict in advance whether a particular publication would constitute an offence.

Airline to discuss crash payments

By Our Belfast Correspondent

BRITISH MIDLAND is to meet legal representatives of the victims of the Kegworth air crash next week to discuss the possibility of making further interim compensation payments, it was disclosed yesterday.

However, requests hy tbe lawyers acting for relatives of the bereaved and injured for a meeting with Boeing, the aircraft makers, have so far been unsuccessful.

Tbe requests relate to the crash in January of a Boeing 737-400 near Kegworth in tbe Midlands. The disaster left 47 dead.

British Midland has already paid out lump sums of £5,000 to relatives of the bereaved and injured to alleviate immediate financial hardship without prejudicing further claims.

A committee acting for the 50 UK solicitors involved in the case met in Belfast yesterday. They received a report from a representative of their American lawyers who have issued proceedings in Louisiana against Boeing and CFM International, the Franco-American engine makers.

Call for early plan on equity settlement

By Barry Riley

HENDERSON Administration, the leading City of London investment management group, is pressing for the early introduction of five-day rolling settlement in the UK equity market.

It believes this question should be handled separately from the introduction of Taurus, the controversial paperless settlement system which the International Stock Exchange is struggling to develop in consultation with banks and institutions.

In the past, lobbying on the early introduction of five-day settlement bas come mainly from foreign securities firms. They are accustomed to rapid settlement in their domestic markets and would like to shorten the extended exposure to the UK market which is implicit in the existing account system.

Henderson, whicb manages portfolios totalling some £9bn, says in a paper it has sent to tbe Bank of England: "We believe both that we can operate five-day rolling settlement whicb before Taurus is implemented, and tbat we would derive significant benefits from doing so."

He added that immediately following tbe implementation of Taurus "may not be a very good time to change the settlement arrangements."

At present, settlement of bargains in UK equities is confined to an account day every two weeks (sometimes three weeks) in respect of bargains dating anytbing up to four weeks earlier.

It is accepted that this system must be replaced hy the more internationally acceptable five-day rolling basis but implementation in the UK could be several years off.

According to Stock Exchange officials, five-day settlement would be "almost impossible" in the near future, although there are suggestions that rolling 10-day settlement might be more practical.

The Stock Exchange denies that there is any widespread pressure from UK institutions for the early introduction of five-day settlement.

Local services

The town hall lends support

Charles Batchelor examines the role of councils in providing finance and a variety of facilities to promote economic development in their areas

Would you go to your local town hall for help on how to set up in business or expand your company? Imagine all those miles of corridors, bored officials and dingy waiting rooms.

Howard Francis, head of the Business Advice Service in Lewisham, south-east London, has been able to avoid this problem. He offers help to new and growing companies from a smart shop fronting Lewisham High Street, sandwiched between the Karizma cocktail bar and Barclays Bank.

"People don't consider us to be the council," says Francis, an accountant, who previously worked for the Department of Trade and Industry's investigations branch. "Being away from the town hall means we can dispel some of that bad image."

Lewisham's approach to helping growing businesses is just one of a wealth of new initiatives that have come out Britain's town halls and council offices in recent years. Many local authorities have set up economic development units to boost local employment and create a more favourable business climate.

"It's not just the places you would expect - the inner cities and the North - where this is being done," notes Liz Mills, a researcher at Birmingham University's Institute of Local Government Studies. "It is happening in the Home Counties as well."

This sudden flowering of economic development activity was due mainly to the economic downturn of the early 1980s when many councils felt they had to do more to combat rising unemployment.

Economic development work is not aimed solely at the smaller company. But the decline of many large-scale industries and the limited prospects in many areas of attracting inward investment has meant many councils have concentrated on fostering local small and medium-sized firms.

Three-quarters of all district councils now give business advice while more than half giva financial assistance to businesses, according to a recent survey by the Association of District Councils.

Up to the early 1980s councils concentrated on providing roads, leasing sites and developing and letting business premises. But in recent years they have begun more targeted economic initiatives, building small workshops and providing venture capital.

Haringey in North London, for example, concentrates its small business activity on helping members of ethnic minorities and women to get started in business. Together with J Sainsbury, the retailing group, and the London Enterprise Agency, Haringey has also used government funds to convert a disused supermarket in Tottenham into a centre for small workshops and offices.

A dearth of venture capital for small scale, local businesses has prompted many councils to set up their own venture capital funds. Bexley on the south-east fringe of London has established a £200,000 venture fund while Wirral Borough Council in Cheshire last year created a Business Expansion Scheme fund.

Ironically, for all this welter of activity, local authorities have no specific legal powers to undertake economic development work. The Local Government and Housing Bill which is currently making its way through Parliament will give the authorities this power for the first time. But up to now economic development work has been financed under an obscure section - number 137 - of an earlier Local Government Act. This allows discretionary spending up to the equivalent of a 2p rate.

This lack of a formal legal sanction might appear academic since the councils have gone ahead anyway. But many in this field feel it has prevented them from devising proper economic strategies and meant much development work has been unfocussed.

But this was only one of the problems facing councils, according to a survey, Local Authority Assistance to Growing Business,* published in April. Many felt that serious shortages of funds, land and premises had prevented them playing a more effective role.

Economic initiatives often competed with departments such as social services and housing for capital allocations and were given a lower priority. In addition, many councils faced a shortage of land on which to build small workshops for rent.

A further difficulty was a shortage of qualified people to carry out economic development work. Too many council officials who went into economic development work in the early years were unsuited to the job, according to another recent study.** Many advisers were former planners who had been found another job when the planning department closed, it said.

At best these people had no experience of small business or understanding of the mentality of the small businessperson. At worst theirs was a culture which resisted change or saw their role as stopping people from doing things, the authors, Ian Barnes and Jim Campbell, both of Humberside College of Higher Education, concluded.

However, Mel Tayler, economic development officer for Haringey and herself a former planner, says it is becoming easier to find staff with the right mix of skills. "There is a growing number of people who could be called professional economic development officers," she comments.

Some councils acknowledge that they do not know all the answers themselves. "We would not presume to give advice on how to run a business," says Jill Norman, assistant industrial liaison officer for Sandwell Council in the West Midlands. "We would use consultants and refer people to the agencies which can."

How effective are the councils in backing new enterprise? Financing small businesses is a risky business, as any bank manager or venture capitalist will confirm. Some authorities have been forced to write off large chunks of their investments through inexperience or because they have allowed social objectives to override sound commercial judgements.

The indications are, though, that councils are getting tougher in dealing with unrealistic proposals and are monitoring their investments more closely. Lewisham is introducing three-monthly reviews of its investee businesses.

But just what sort of a future there is for local authority development work is unclear in the face of legislation which is currently going through Parliament. It will give the authorities formal economic development power but it also gives the Environment Secretary considerable powers to regulate their activities.

Some local authorities have set up separate companies to carry out economic development work. They may be forced to reduce their holdings in these companies to minority stakes and bring in private sector partners. This proposal could have a significant impact on enterprise boards such as Greater London Enterprise and the West Midlands Enterprise Board which up to now have been fully controlled by their local councils.

New restrictions may also prevent local authorities from making equity investments in companies and could force councils to dispose of their shareholdings, according to a report*** by Keith Hayton of Strathclyde University's Centre for Planning.

On top of this, government plans to establish 100 private sector-led Training and Enterprise Councils, to provide training and small business support on a local level, may diminish the role of the local authorities.

The impact of these measures is uncertain but they are likely to lead to a major reduction of the role of local councils, Hayton forecasts. Individual economic development officers are less gloomy, however. Haringey's Mel Tayler says the proposed legislation is "a bit of an unknown quantity." Phil Blackburn, chief economic development officer for Ealing, west London, believes the government will have to modify its plans.

The lack of a formal legal sanction for the economic development activity has made local councils adept at improvising. Despite the obstacles many have clearly developed a taste for influencing their local economy. They are unlikely to give this up without a fight.

*Deloitte Haskins & Sells and Business in the Community. ** From Planners to Entrepreneurs; the Provision of Local Economic Assistance. Journal of Public Policy and Administration Vol 8 No 3. ***Strathclyde Papers on Planning. The Future of Local Economic Development.*

Howard Francis: Dispelling any adverse council image

A different set of priorities

THE GENERAL enthusiasm for backing small business is not shared by every local authority. Ealing, a Labour borough in West London, for example, concentrates its activities on helping larger companies in the borough.

"Anything we can do to affect jobs in large companies is worth years of work in small companies," says Phil Blackburn, chief economic development officer.

Ealing's policies have been moulded by the closure of several large factories in the area though, with about 20 large employers, the area still has a strong big company base. The borough's approach has also been influenced by research which showed that support for medium-sized and large companies was more effective than backing small firms.

Ealing now has a two-pronged approach to economic development. It acts as what Blackburn calls "internal advocate" within the council for the needs of the large companies. "The unit has a brokerage role between local companies and the bureaucracy of the council," he explains.

It also sets out to break down the barriers which prevent local people finding jobs. Despite their suitability for the job market many women were prevented from working by a lack of child care facilities. Other unemployed men and women did not take np training opportunities because they could not understand the prospectuses put ont by local colleges. Ealing has responded by promoting workplace crèches and touring housing estates with a mobile job shop.

This does not mean that the borough neglects small firms. But requests for help are referred to the local enterprise agency and the co-operative development agency which, Blackburn feels, are better able to assist. Ealing is also due to launch a £8m venture capital fund using the borough's own pension funds. The money is intended for established, expanding companies rather than for start-ups however.

Searching for the elusive small line of equity

For many small businesses a bank loan is the first and the last source of finance they consider. The result is they often nse short-tarm borrowings to finance purchases of capital equipment and they take on an unduly heavy burden of debt.

Many small business owners are reluctant to make use of equity for fear of diluting their control of the business. But, equally, many who are willing to issue equity are unable to find suitable investors.

Small amounts of equity capital are not easy to find but the outlook is improving. A review of the expanding sources of small-scale equity finance and a guide to raising equity is provided by a new publication: Risk Capital for Small Firms*.

Raising equity is not something that can be done on the spur of the moment. Typically the process will take between four and six months, the guide suggests.

It takes the reader through all the stages from realising that extra capital is needed. The guide recommends that the businessperson makes a "guesstimate" of the amount required and the time when it must be available; examines alternatives to equity, such as loans and grants; then suggests discussions with a financial adviser.

Possible investors must be identified; a business plan, including a short synopsis, prepared; and the synopsis and subsequently the full plan sent out. Discussions and negotiations with potential investors should then, if all goes well, lead to an agreement.

Even if the business does not succeed in raising money by this route, the experience will not have been completaly wasted, the guide suggests. If the businessperson has only a vague, or untested, notion of why customers favour his product or service, the process of drawing up a business plan will clarify matters for him.

The guide, intended for advisers as well as for business owners, contains a wealth of practical advice as well as a full list of sources of finance and advice. Soma readers may find the proliferation of type faces and numbered and lettered sub-sections in the text irritating rather than helpful but there is a very thorough index.

**By David Purdy. Published on behalf of The Small Business Research Trust by Barclays Bank. 350 pages, £10.*

Charles Batchelor

In brief. . .

■ More than half of British companies have done nothing to prepare for the development of the single European market, according to a recent MORI poll carried ont for accountants Grant Thornton. Among small companies the picture is even worse with 67 per cent of companies having taken no action.

Twenty per cent of companies polled said they had gathered information ou 1992, 9 per cent had carried out a strategic analysis or review while 8 per cent were already active on the Coutinent or had established contacts.

Six per cent had carried out market research while 3 per cent had undertaken merger or acquisition studies. MORI interviewed 585 executives of companies with turnover of between £1m and £100m.

■ A training course to provide growing businesses with the skills and confidence to break into export markets is to be run by the London Enterprise Agency (LEntA) atarting in November.

The London Export Programme covers subjects such as terms of trade, documentation and legal matters. Each participant is matched with a personal tutor.

Contact LEntA, 4 Snow Hill, London EC1A 2BS. Tel 01-236 300. Fee £60.

■ Businesspeople could have filled their diaries over the past year with conferences on the broader implications of 1992 and the creation of the single European market. A conference which promises to answer soma of the more detailed questions is planned for July 2.

Doing Business in France (other countries are to follow) will consider how to choose a location for your company in Europe as well as subject such as mergers, acquisitions and accounting standards.

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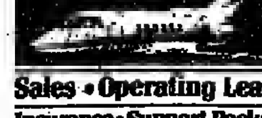

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Charm of the monumental

William Packer reviews the work of the French sculptor, Bourdelle

Bourdelle: Pioneer of the Future is the Yorkshire Sculpture Park's major exhibition for the summer (until October 29), a celebration of a latterly neglected but significant French sculptor in this year of the *bicentenaire*. That his work should represent a France perhaps more imperial than *revolutionary* in the symbolism of its subject-matter and grandiosity of its statement, is neither here nor there. The show is a major undertaking, made possible by the sponsorship of Rhone-Poulenc Ltd. Set in the park and gardens of Bretton Hall, now a training college, just off the M1 (exit 38) near Wakefield, the Yorkshire Sculpture Park is open daily and entrance is free.

The gloss in the title is taken from a remark by Rodin, whose assistant Bourdelle had been in the 1890s. We can see what Rodin meant, from his own point of view, but the claim is both too large and misleading. For it was Rodin who had been the pioneer, moving from the known into the unknown, breaking new ground. Bourdelle, the younger man by 21 years, was to survive his master by only 12, dying in 1929 at the age of 68. Rodin well knew how close Bourdelle was, both in sympathy of ideas and scale of ambition, to himself, and could surely see the drift of his mature development. What he would have recognised, if not expressed, was that Bourdelle, though confirming and carrying forward his own achievement, was never his rival.

Bourdelle was no avant garde or pioneer, but only a transitional and a conservative. He followed Rodin, in the freedom and expressiveness of his modelling, though modifying it into a simpler, harder statement under the exigencies of the monumental scale. But there were to be no followers of Bourdelle as such, but only the generalised, decorative decadence into Art Deco, which was clearly anticipated in some of his later work.

It fell to him to see an established tradition through into the new context of a rapidly evolving and diversifying modernism, in which Rosso and Matisse, Brancusi and Modigliani, Epstein, Boccioni and Picasso were the true pioneers.

The irony is that, for over 30 years, his work represented the public aspect of modernism through the grand schemes of monumental sculpture and architectural decoration that he undertook. His romantic, civic symbolism, cast often into images of an idealised classicism, touched a public nerve.

Major commissions came to him throughout his life, from the Montauban Memorial to the victims of the war of 1870, which he won in 1893 at the time he joined Rodin, to the large figure of "la France" of the 1920s. These were the things that moved Anatole France to declare him "the greatest artist of our time . . . He has only one drawback, so far as I can see: he carries his conception beyond the limit of possibility. A noble defect."

The sheer size of some of these heroic defects is astonishing. "La France," some 26 feet from toe to spear-tip, commands Bretton's formal terrace impressively enough, but the several parts of the Monument to General Alvear, scattered through the gardens, are more impressive still. Commissioned in 1912 but not set up in Buenos Aires until 1925, the general sits high on his horse on its high plinth, with four symbolic figures of the martial and political virtues at its base. It is an attempt at the equestrian figure on the grandest Renaissance scale, as its elements testify.

The maquettes for the horse, with and without its rider, sit on the terrace balustrade. The massive riderless horse commands the brow of the hill, bizarrely outscaling the trees and bushes among which it steps so proudly. And at the high point of the show, in the upper walled enclosure only lately available, with its lovely view over the roof of the Hall and across the valley, stand those four huge symbolic figures, each nearly 13 feet high, of Victory, Strength, Eloquence and Liberty. Modelled with rough simplicity to carry such a scale, each remains lively and oddly personal. It was of this that Maurice Denis spoke in his funeral tribute: "What was his genius? Rodin would say Bourdelle's characteristic was his impetuosity. But Bourdelle would say it was lyrical poetry . . . he was a dramatist, a lyric, epic poet."

To us, to whom the epic statement, no matter how impressive, is often alien, the lyric aspect of Bourdelle has always been the more accessible and charming. At Bretton it is beautifully presented, in the lower formal garden below the terrace, by two larger than life-size female figures, one nude, the other draped, but both standing sway-hipped and relaxed – Penelope resting her chin on her fist, the nude leaning serpentine against a post. Even here, the smaller the scale, the more immediate and effective the statement and the more direct our response.

Companion to the Bretton show is another comprehensive Bourdelle exhibition which I have yet to see put on by the Bruton Gallery, at Bruton in Somerset (until September 16). The catalogue shows that it has much of the material in common, but with this distinction: in Bretton's fine open spaces it is Bourdelle the public, monumental sculptor that we see; at Bruton, the sculptor more intimately and directly at work. To see the artist whole, we should try to see both.

★

In London meanwhile, a small show of work by a figurative artist of a later generation carries the highest recommendation. The drawings, paintings and sculpture of Giacometti now at Thomas Gibson Fine Art (44 Old Bond Street, W1: until June 30) include a group of the attenuated walking figures never shown together before. But, for me, as always, the small, simple portrait busts, less extreme but no less intense, are the more moving; that of Annette, of 1962, most of all.

"Fruit," bronze, in the Yorkshire Sculpture Park

Du Pré Appeal Concert

FESTIVAL HALL

Among the many appeals that lay claim to the attention of music-lovers, the Jacqueline Du Pré Memorial Fund bears a name that will set it apart from the others. The appeal has been launched with the aim of helping young professional musicians cope with crippling disease and in Sunday afternoon's star-studded charity concert it found its public focus.

One might have expected that the cello, Jacqueline Du Pré's own instrument and her channel of communication with the public, would find a place in the event, but the organisers had planned the programme on a different premise. Daniel Barenboim, the late cellist's husband, led a concert of Mozart and was joined for the two and three piano concertos (an aptly festive choice) by other celebrities.

The Concerto for Three Pianos, K.242 came first. This is the lesser of the works and yet it has a lovely slow movement, the filigree accompaniment that winds its way over the main theme being played here with a mesmerizing, inward delicacy by András Schiff, as pianist number one. Barenboim played second piano and the third part was taken by Georg Solti, who also doubled as conductor, at least when he could spare a hand to wave above the music stand.

After the interval Barenboim and Solti re-appeared for the more mature Concerto for Two Pianos, K.365. This is the more mature piece and it duly received the more robust performance. The last movement, in particular, went at a rollicking pace and showed that neither of the Chicago Symphony Orchestra's music directors (Solti the current holder, Barenboim the named successor) need blush at playing Mozart in public, even in the rapid cross-fire of passagework at the end.

The concert had begun with the *Haffner* Symphony, full of rich and full tone. The expressive style that Barenboim (as conductor) drew from the English Chamber Orchestra sounds romantic these days to a degree that it did not some years ago, when they used to play Mozart together. The two concertos have been recorded by Decca and were taped live for future relay by Channel 4.

Richard Fairman

Bee Gees

WEMBLEY ARENA

Oh, what it is to be unfashionable – packing out Wembley Arena for two nights; receiving standing ovations; sending thousands of fans home happy: the Bee Gees must envy all those cult bands who play in pubs for just critical rapture and Ruddles bitter.

But then the Bee Gees have never been smart. Repatriated from Australia 20 years ago by Robert Stigwood, who shaped them into the second Beatles, the three brothers (a fourth Andy never quite made it and died) have suffered long periods of neglect, only to suddenly re-emerge with albums that made pop history, most notably *Saturday Night Fever*. Really they are just superb composers, able to plug into any musical trend and produce catchy but anodyne songs. You wouldn't kill to hear a Bee Gees song, but then you wouldn't kill to switch one off. You probably wouldn't notice it anyway.

In performance they are a safe caricature of the past. Looking fabulously young and healthy at the start of this national tour for fortysomethings, clad in blue jeans and casual clothes of circa 1975, they line up across the stage in genial unpretentiousness, letting their superb band behind do all the hard work. They joshed around like the Monkees, or Cliff with the Shadows, brother Maurice, of the lesser voice, hamming it up for the audience as he stands excluded while hairy big brother Barry and twin falsetto Robin harmonise on the vocals. When Maurice is allowed his solo he does a creditable version of a new song "House of Shame" – the lads are touring to promote an album.

It is all quite agreeable; totally undemanding; and very familiar. Barry, who also looks like George Michael's big brother, dominates and sings well, making the tribute to Andy – "How deep is Your Love" – and, somewhat inappropriately, dedicating "Too Much Heaven" to "the good people of China."

The wholesome audience took most of the famous repertoire sitting down, but rose for "Staying Alive" and jigged happily through that 1975 disco classic "Jive Talkin'" and the finale, "You Win Again." Most Bee Gees songs sound as if they were put together by a computer of genius and it is no surprise at all to discover that they now live in Miami and run recording studios. By the time I reached the exit I'd forgotten the whole performance, but while in the presence I actually rather enjoyed it.

Antony Thorncroft

Judgement Day

OLD RED LION

The rediscovery of the Austrian dramatist Odön von Horváth, initiated in West Germany in the early 1970s, receives a minor boost at the Old Red Lion in Islington as *Judgement Day*, translated by Martin and Renata Esslin, presented by Filthy Lucre Productions, and directed by Stephen Daldry, enters the final week of a short run.

The playwright, a virulent anti-Nazi who stood his ground in the 1930s while Brecht, to whom he is comparable in so many ways, sought more hospitable climes, was killed by a falling tree on the Champs Elysées in 1938, en route to Switzerland. The comic irony of his demise is worthy of the author himself, whose work is now clearly seen as an inspirational half-way house between the folk tragedies of Wedekind and Büchner, and the post-War traumatic visions of social and domestic crisis perpetrated by Peter Handke and Franz Xaver Kroetz.

Christopher Hampton did a wonderful National Theatre version of *Tales from the Vienna Woods* a decade ago; his re-write of *Faith, Hope and Charity* is slated for the Lyric, Hammersmith, in the Autumn.

In the light of recent public transport disasters in Britain, *Der jüngste Tag* has an almost indecent claim on our sense of communal, political responsibility for tragic accident.

The small-town station-master Thomas Hudetz is diverted from his duty, and the misery of a barren marriage, by the concern of a local landlord's daughter, Anna (Matilda Zeigler). He forgets to change the signals, and the 9.05 Express charges past into the back of a freight train. Eighteen people are killed.

The consequent reworking of a public tragedy in terms of private guilt is enthralling: Anna perjures herself at the enquiry but is overruled by Hudetz's crabbily jealous wife. Hudetz is jailed but acquitted after four months and reunited with Anna under the eerily abandoned viaduct – a location with reverberative similarities to Woyzeck's lake. In a lustful frenzy that merits operatic setting, he kills Anna in order to re-kindle his own sense of guilt.

Guilt, lust, revenge, communal righteousness. Horváth's play anticipates by a clear 20 years Dürrenmatt's *The Visit* which re-cast these themes in a post-War disillusion with the economic miracle. That play, also set by a fateful railway station, was brilliantly revived last year by Théâtre de Complicité, and I think Filthy Lucre is cashing in.

Echoes include a frozen design collage of clothes and mementoes, the mimic goonishness of Complicité stalwart Tim Barlow, and a general air of noisy stroppiness.

The acting, overall, has the unconvincing ferocity of people adopting stylistic poses. The exception is Stephen Boxer's touchingly baffled and bemused railway official. Hudetz, where is thy sting? This guarded guard is unwilling to understand his fate, which he nonetheless embraces with passionate reluctance. Around him, the noise is softened by Expressionistic recourse to company chants, whirling of torches and some chilling effects, such as the crashing to ground of two lightbulbs to signify the disaster, followed by a wan little girl materialising in eerie light, clutching a broken doll.

Michael Coveney

Jean Barraqué

ALMEIDA FESTIVAL

When the composer Barraqué died in 1973, still out of favour with the Boulez establishment, he had completed only six substantial pieces and a tape-study. A mini-festival of this challenging, fiercely serious *oeuvre* was plainly in order, and somebody had to do it – but only the Almeida *would* do it. Two weeks ago Max Loppert discussed the first instalment here; on Sunday we had the remaining works, *Chant après chant* and (new to Britain) *Le Temps restitué*, his most "symphonically" elaborated music.

Both were destined for what he conceived as his life work, a huge and various cycle based upon Hermann Broch's *The Death of Virgil*. *Chant après chant* (which has been performed here before, but not (if memory serves) so subtly and persuasively as by the soprano Alison Wells and the French Ensemble 2e2m under Renaud François. It involves a great battery of percussion, much of it unpitched, which means that there are even fewer overt clues than usual to the secrets of Barraqué's construction: "serial" it undoubtedly is, but by arcane methods. In any case, the result of long analysis would by itself prove nothing about the merits of the piece; the touchstone must be its aural, pre-analytic power to convince.

What was most potent here was the interplay between the voice and the incessantly varied waves of percussion (the "mers de silence"), the one declaiming Broch lines – and Barraqué's own marginal commentary – with broken eloquence, the rest answering and expanding all that. However opaque the musical idiom, this abstract, impassioned dialogue had a pithy force far beyond the splashy effects of routine avant-gardery. (And it survived even an *ad libitum* electronic alarm, brought along by some distracted loon who was the last person in the Union Chapel to notice that it had been shrilling away for several minutes.) One couldn't doubt that the music had its own rigorous syntax, which patient acquaintance might discover: the sort of impression that Brian Ferneyhough's music often makes.

Le Temps restitué proved to be a richer canvas, with its solo mezzo (Anne Bartelloni) placed amid a 12-voice chorus (BBC Singers) and a large ensemble of medium-wattage instruments – woodwind octet, string nonet, and almost everything that makes a noise on-pitch when hit or plucked – with electronics by EMAS. Harmony has a far larger role here, which Barraqué develops cogently, and the text – undiluted Broch this time – is set in many vividly contrasted musical sections, as a continuous, far-reaching drama. Dense stuff (Wagner sucked into a black hole, almost), but with enough air-shafts to let us breathe; and the actual sound is an achievement by a superlative ear. Though the piece may well remain caviar to the general, and finally perhaps a Last Days of Serialism artifact, a lot of composers should recognise it as setting an unforgiving standard for their craft.

David Murray

The Red Macula

CHRISTCHURCH, SPITALFIELDS

The main emphasis of the current Spitalfields Festival, running until June 28 in surely the most elegant of all London's churches, is on small-scale early music, but two concerts by the Northern Sinfonia over the weekend brought significant London premières. Friday's programme included John Casken's *Erin*, a concerto for double bass completed in 1983, and on Saturday the orchestra was joined by the Leeds Festival Chorus for Michael Berkeley's *The Red Macula*, which was commissioned to celebrate the 130th anniversary of the Chorus and first performed in Leeds last month.

The source of Berkeley's 20-minute piece for soprano and baritone soloists, chorus and orchestra is the poetry of D.H.Lawrence, and the poem set as its centrepiece, a vivid description of a tropical moonrise, furnishes the title. It is more than a straightforward setting of three poems, however, for Berkeley has interpolated other Lawrence quotations to flesh out what he conceives as a portrait of the author, moving in an arch from evocations of childhood through sensual maturity to a final contemplation of mortality and extinction. The scheme is a thoughtful, musically potent one, but Berkeley's treatment is not invariably so convincing.

The most smoothly sustained section is the centrepiece, in which three separate poetic elements are combined, and there Berkeley's music – declamatory lines sensuously intertwining the two solo voices, the chorus moving on its own independent track with more than a hint of Tippett's *Vision of St Augustine* in the writing – moves into sharpest focus. The framing sections are uneven and Berkeley's setting appears to stumble over some of Lawrence's more prosey lines, though the ending – ambiguous, almost throwaway – is memorable and the passionate charge of the poetry is always felt.

But Lawrence's poetry is rarely combined with music, and though the matching of images in *The Red Macula* is not always exact, it seems an intriguing exploration of a teasingly potent expressive world. A finer-grained acoustic than that of Christchurch might reveal Berkeley's the details of orchestral writing more tellingly, but the forcefulness of this performance, conducted by Sian Edwards with Elizabeth Collier and Stephen Roberts as soloists was never to be doubted.

Andrew Clements

SALEROOM

Coper candlestick record

Demand for contemporary ceramics is very strong and Christie's sale yesterday totalled £173,085, with just 9 per cent unsold. As usual Hans Coper was the most popular potter, with an early stoneware shallow dish that he made around 1950 selling at the top of its estimate for £16,500. A 25.8cm high stoneware composite bottle vase of around 1965 was comfortably above target at £15,400.

However these prices pale into insignificance compared with the £88,000 that Bonhams raised on Thursday evening for the two altar candle stick holders that Coper had made in 1964 for the new University at Sussex. The price was easily an auction record for any contemporary ceramic. The holders will stand on the Henry Moore designed altar at St Stephens Walbrook in the City. Since the altar was donated to the church by Mr Peter Palumbo, the chairman of the Arts Council and the well known property developer, it seems almost certain that he bought them.

With Coper and Lucie Rie so expensive these days, pot collectors are going for some of the forgotten names of the 1960s like Bernard Rook: a stoneware pebble shaped vase by him doubled its top estimate at £330 at Christie's. Michael Cardew was also in good demand, a large stoneware rose bowl doing very well at £1,210.

Both Sotheby's and Christie's were selling important antiques in Monaco over the week end, with considerable success. At Sotheby's furniture sale a bronze group depicting Hercules overcoming Achelous, who is in the form of a bull, originally in the collection of the Sun King, Louis XVI, sold for £957,647. It was inspired by Giambologna but made by Ferdinando Tacca.

Christie's just pipped this price with a Louis XIV ormolu mounted tortoiseshell and ebony Boulle marquetry armoire, once in the collection of Prince Beloselsky-Belozersky, which went for £960,576 to an English dealer, although its stay in this country may be brief.

Christie's also secured a staggering price, and an auction record, for a carpet, £384,230 for a Louis XV Savonnerie, which carried a top estimate of £90,000. Back at Sotheby's a Louis XV bureauplat, stamped BVRB, with rococo gilt bronze mounts inspired by Boulle, sold well at £674,705, and a clock by Breguet, a "Pendule Sympathique," with the attendant watch which is fitted into the clock each night, went for £391,764.

Among the paintings "La Promenade" by Watteau, showing a young man luring away a girl, beat its top estimate at £413,529 and a 17th century flower painting by Abraham Mignon sold for £239,411 to a London dealer. This sale brought in £5.5m (Ff 56m), a record for a Sotheby's picture auction in Monte Carlo, with less than 12 per cent unsold.

In New York over the week end a leaded glass window designed by Frank Lloyd Wright for the Avery Coonley Playhouse in Riverdale, Illinois, around 1912 sold for £187,000. The rectangular panel measures five feet by one foot, and is decorated with green and yellow circles and orange and black squares.

Antony Thorncroft

ARTS GUIDE June 16-22

OPERA AND BALLET

London

Royal Opera, Covent Garden. *Der Rosenkavalier* returns with Felicity Lott, Ann Murray, Lillian Watson and Kurt Moll to leading roles, and Jeffrey Tate as conductor. Further performances of the Royal Opera's 1988-89 season prestige event: the new production of *Il trovatore* by Piero Faggioni, conducted by Bernard Haitink, with Placido Domingo in the title role.

English National Opera, Coliseum. The final performance of the season is *The Mastersingers*, with Gwynne Howell, Alan Opie, Alberto Remedios and Jane Eaglen.

English National Ballet (formerly the Festival Ballet) presents a triple bill centred on the revival of MacMillan's heart-tearing one act *Anastasia* for the great Lynn Seymour on June 19 and 21, (different casting June 20), at The Dominion, Tottenham Court Road.

Royal Ballet, Covent Garden. Performance of *The Sleeping Beauty* on June 20. English National Ballet.

Paris

Théâtre des Champs Elysées. Stuttgart ballet: *The Taming of the Shrew* with Marcia Haydee and Richard Cragun in John Cranko's choreography (47203637).

Brussels

Théâtre Royal de la Monnaie. *La Finta Giardiniera* by Mozart produced by Karl-Ernst and Ursel Hermann with Ugo Benelli, Joanna Kozlowska and Marek Torzewski. The Monnaie orchestra is conducted by Sylvain Cambreling (Tues, Thurs).

Milan

Teatro *Alla Scala*. Riccardo Muti conducting Roberto de Simone's production of Gluck's *Orfeo ed Euridice*, with Lella Cuberli/Elzbieta Ardam, Bernadette Manca di Nissa/Lucia Mazzaria and Elizabeth Norberg-Schulz/Valeria Esposito (80.91.26).

Teatro Lirico. Isabel Seabra and Gheorghe Iancu dancing *Don Chisciotte*: choreography by Rudolf Nureyev and music by Ludwig Minkus (86.04.18).

Florence

Michale Hampe's production of Richard Strauss's *Der Rosenkavalier*, conducted by Zubin Mehta, with Anna Tomowa-Sintow, Kurt Rydl, Alan Titus, Cheryl Parrish and Delores Ziegler (2779236).

Venice

Teatro la Fenice. Pier Luigi Pizzi's production of Handel's *Rinaldo*, conducted by John Fisher, with Cecilia Gasdia, Marilyn Horne and Natalede Carolis (5210161).

Berlin

Opera: Theater des Westens. Guest performance from the National Ballet de Marseille in Roland Petit's show *Java for Ever* with Zizi Jeanmaire and Eric Vu-An. There are also two ballet premiers this week. One is danced to music by George Gershwin, *Who Cares?* choreographed by George Balanchine, the second from Kurt Weill, *Die sieben Todesünden'*, with choreography by Mario Pistoni. Cosi fantutte is produced by Götz Friedrich.

Hamburg

Opera. Hamburg honours the famous choreographer Jose Limonwith four of his ballets. *The Unsung/The Exiles/The Moor'sPavane/There is a Time.* *La Bohème* has a first rate cast led by Katja Ricciarelli, Gabriele Rossmanith, Michael Sylvester and Alessandro Corbelli. *Peer Gynt*, specially composed for Hamburg by Alfred Schnittke has wonderful John Neumeier choreography.

Cologne

Opera. *La Clemenza di Tito* has Josef Protschka, outstanding in the title role. *Lohengrin* is well sung by William Johns, Mechtild Gessendorf, Eva Randova, Harald Stamm and Ekkehard Wlaschiha.

Bonn

Opera. The successful Gian Carlo del Monaco production of the*Entführung aus dem Serail* returns with Sylvia Greenberg, Isolde Siebert, Hans Peter Blochwitz, Wilfried Gahmlich and Jaako Ryhaenen. *Ariadne auf Naxos* stars William Murray, Gabriele Benackova, Syndia Sieden, Peter Lindroos and Susanne Mentzer.

Frankfurt

Opera. Last performance of the acclaimed *La Clemenza diTito* production. *Cosi fan tutte* in Graham Vick's production is sung by Margaret Marshall, Diana Montague, Michal Shamir, Christopher Robertson and Bruce E. Ford. Imre Pallo conducts.

Stuttgart

Opera. *Der fliegende Holländer* will have its premiere this week, produced by Adolf Dresen with a star cast led by Bernd Weikl. Matthias Hoelle, Grace Hoffman, Nancy Johnson and Toni Kraemer. *La Cenerentola* is revived with Kathleen Kuhlmann, brilliant in the title role. Also offered *Fidelio* and the rarely played *Der Karottenkönig*.

New York

Metropolitan Opera. Free outdoor performances begin with Thomas Fulton conducting *Il Trovatore* on the Great Lawn in Central Park with Susan Dunn as Leonora, Stefania Toczyska as Azucena and Sherrill Milnes as Count di Luna.

American Ballet Theatre. The week features Mikhail Baryshnikov's staging of *Swan Lake*. Season ends July 1. Lincoln Center Opera House (362 6000).

New York City Ballet. The week's mixed programmes include *Beethoven Romance*, *Danses Concertantes* and *Ballade*. Ends June 25. Lincoln Center New York State Theatre (877 4700).

Tokyo

Wiener Volksoper. *Die Czardasfürstin* conducted by Rudolf Bibl. Tokyo Bunka Kaikan (Tues, Wed, Thur) (289 9999).

WNO season

The Welsh National Opera is producing eight operas next season, including a newly commissioned work, *Tornak*, by John Metcalf, with a libretto by the playwright Michael Wilcox. It will receive its premiere on May 19, 1990 in Cardiff.

The season opens on September 16 this year with a new production of Weber's *Der Freischütz* by André Engel. The other new production is Strauss's *Der Rosenkavalier* by Göran Järvefelt, opening on March 1, 1990.

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More than a setback

THE BRITISH Conservatives have suffered their first serious electoral setback since Mrs Margaret Thatcher became leader of the party in 1975. And although there may be extenuating circumstances, so has Mrs Thatcher herself.

Two facts stand out. The Labour Party polled more votes and won more seats in the elections to the European Parliament than the Tories, and the Greens came from almost nowhere to win around 15 per cent of the vote, largely, it seems, at the expense of what used to be called the Alliance parties. It may not be a fundamental, lasting shift, but at least there has been a change in the political weather.

There have been many reasons for disenchantment with the Tory Party this year, ranging from the unpopularity of the Water Bill to the rising trend of inflation. A more general point, however, is that the Government has begun to look less than competent. It quarrels with itself, and the Prime Minister has several times looked overbearing: as if she is right and almost everybody else must be wrong.

Some of this has to do with Europe. The Prime Minister is openly at odds with the most senior members of her cabinet about full British membership of the European Monetary System. There may be respectable economic arguments on all sides, but the public quarrel hardly enhances the Government's authority. It is not surprising that, given the chance, a sizeable section of the electorate used the European poll to declare a (limited) vote of no confidence.

Arm's length

The Prime Minister's more general approach to the European Community hardly inspires confidence either. Most of the old quarrels between Britain and Europe are long since over, yet Mrs Thatcher prefers to keep the Community at arm's length. She fought a campaign against Brussels, and failed to take the electorate, including an articulate section of her own party, with her.

An analogy with General de Gaulle comes to mind. He, too, fought for nationalism long after it was prudent or necessary to do so. Mrs Thatcher is not in that position yet, but she has been in power almost as long, and the analogy cannot be entirely dismissed. De Gaulle did not leave a united party behind him, though France thereafter became a more European country.

Yet if the Conservatives suffered a setback, for the old Alliance parties it was a rout. Mr Paddy Ashdown may plead that the Democrats are still finding their feet after the merger following the general election of 1987. That is not how the electorate appears to see it. The Democrats now poll less well even than the old Liberals in a bad year, and Dr David Owen's Social Democrats even worse.

Protest vote

The principal beneficiaries in the European elections were the Greens, whose percentage share of the vote was even better in Britain than on the Continent. Clearly the protest vote had something to do with it, just as the protest vote used to go to the Liberals under Tory Governments in the past. Not everyone who supported the Greens last week can have realised that the party is opposed to economic growth – an odd recipe for (say) the problems of the third world. Some of the vote, however, must have expressed genuine concern about the environment. That may seem hard on Mrs Thatcher, who has come to the subject with some of the zeal of a convert. Still, it suggests that the electorate needs to be convinced. Mr Nicholas Ridley, the present Environment Secretary, is not the man to do it.

It was a good result for the Labour Party. Whether it would be repeated if there were a general election tomorrow is highly doubtful. But there is almost certainly not going to be a general election for at least two years, so the party can continue its recuperation. It is looking less wild, more in the centre ground and more electable than it used to. It should now gain in self-confidence. That should be the main lesson for Mrs Thatcher and the Tories from the European elections: there is beginning to be an alternative government.

The wrong loans for students

FACED WITH a choice of products, the rational consumer selects the item offering the best value for money. Mr Kenneth Baker, the UK Education Secretary, yesterday proved his irrationality. In his statement to the House of Commons he confirmed his determination to press ahead with mortgage-type loans for students, administered by financial institutions. Such a regime may prove better than nothing. But it is inferior to the alternative backed by many academics: loans automatically repaid by adjustments to graduates' national insurance contributions.

Mr Baker's scheme was launched – without prior consultation – in a white paper last November. A startled financial community was informed by the Education Department that it would be administering a loan scheme on behalf of central government. The terms of the loans and eligibility conditions would be decided by Mr Baker; the banks and building societies would have the privilege of chasing repayments and coping with defaults.

Secret negotiations

Not surprisingly, financial institutions have been reluctant to act as glorified debt collectors for Whitehall. After seven months of secret negotiations, Mr Baker was yesterday still unable to announce a concrete agreement with the banks. All he could say was that some institutions had agreed his scheme was theoretically feasible. Crucial details – such as the fee the private sector loan collectors will command – remain undecided.

The Government doubtless will get the scheme off the ground. The big clearing banks are unlikely to want to offend ministers. But that will not make it a success. The administrative costs of collecting relatively small sums from successive cohorts of graduates are likely to be considerable. Default rates will be high if US experience is any guide. Deferment of payment may prove even more popular, given Mr Baker's admission that banks, to save money, will have to allow this whenever an individual says his income is low.

But the most serious worry is that the freezing of the grant and its progressive replacement by mortgage-like loans will deter university applications from poor children. The benefits of higher education, unlike those of bricks and mortar, do not seem readily appreciated by families from the lower socio-economic groups. Yet these are the students which must be attracted if pledges about widening access are to be fulfilled.

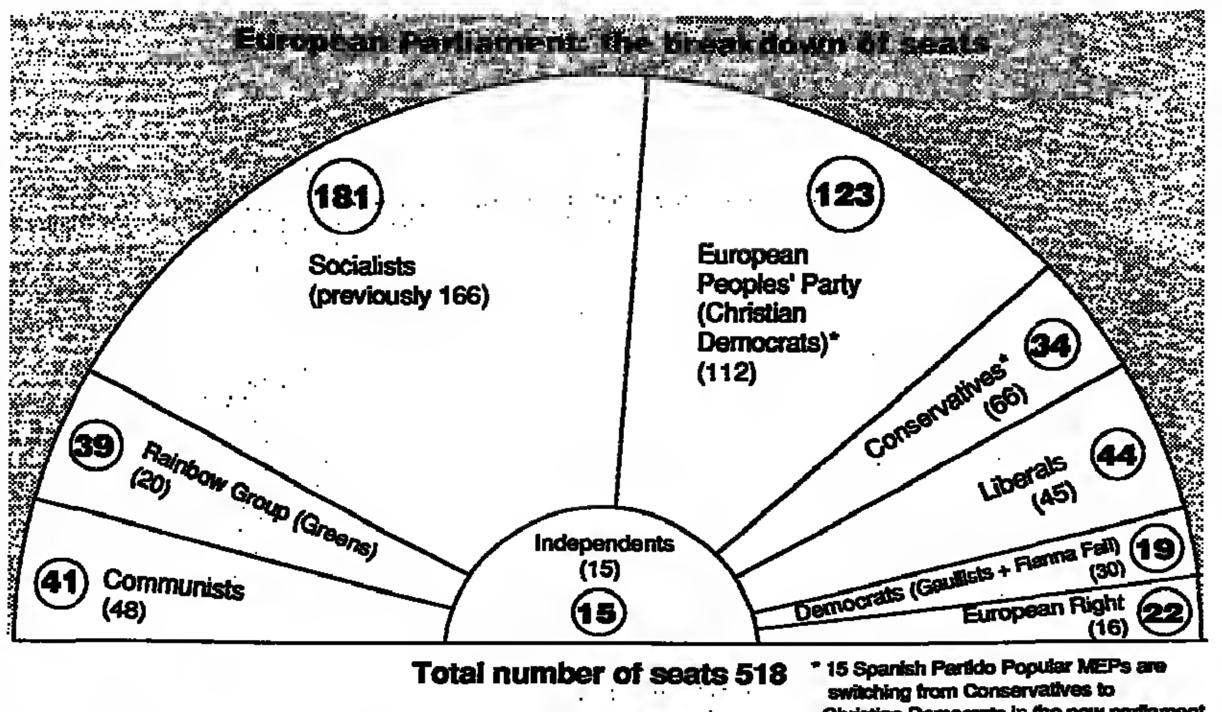
Code changes

Mr Baker's hostility to loans repaid by higher national insurance contributions (NICs) seems perverse. Administration costs would be far lower than with mortgage loans. An individual's code would have to be changed only twice: when the loan is taken out and when it is fully repaid. The default risk would be greatly reduced because repayments would be deducted at source for the large majority of graduates. Disincentive effects would be minimal: Dr Nicholas Barr of the London School of Economics calculates that an extra 1p to 1½p on NICs would repay half the present grant over 25 years.

The Government's planned scheme is also surprisingly generous. The small subsidised loans will provide limited relief for poor students, who will simultaneously lose their right to income support and housing benefit. A better solution might have been to offer students from poor families a full grant, and to phase in loans as a replacement for the parental contribution. If the NIC repayment route were adopted, it would even be possible to charge a low real rate of interest on such loans. Financial institutions might then be persuaded to inject real resources into higher education instead of acting as passive debt collectors.

From Mr Baker's point of view, the argument against the NIC repayment scheme is that it does not make students feel sufficiently indebted. The fact that it is cheaper, less prone to default and more equitable than the mortgage-loan alternative apparently counts for nothing. Once again it is ideology rather than logic, or even economics, that is in the driving seat.

David Buchan assesses the significance of the European election results



* 15 Spanish Partido Popular MEPs are switching from Conservatives to Christian Democrats in the new parliament

UK	81	Belgium	24
W.Germany	81	Portugal	24
France	81	Greece	24
Italy	81	Denmark	16
Spain	60	Ireland	15
Netherlands	25	Luxembourg	6

Making the most of a protest vote

The best way to make sense out of the scatter-pattern result of the elections to the European Parliament is to see it as a protest vote, in the widest sense.

First, it was a protest against governments or dominant parties in ruling coalitions in seven of the 12 countries. This was most spectacularly so in the UK, where Labour has replaced the Tories as the largest single national grouping at Strasbourg.

But parties currently ruling at national level also took a pounding in West Germany, France, Italy, Ireland, Greece, Denmark and Portugal. Only in the Netherlands and Belgium did the predominant parties in governing coalitions win more seats than they did at the last such election five years ago: ruling parties in Spain and Luxembourg held their own.

Clearly, most voters in most countries think national when they vote European – if, indeed, they bother to vote at all. Turnout this time dropped to around 56 per cent, from 59.4 per cent in 1984 and 63.4 per cent in 1979, the only two previous direct elections to the parliament. Whether this downward trend is the result of apathy or of ignorance about what the parliament does, or both, it is depressing for those at Strasbourg, who have been trumpeting, and using, the new legislative powers given them under the Single European Act.

Second, it was, in many countries, a protest vote against established parties. The Greens made big gains in France (plus nine seats) and Italy (three), and smaller gains in more traditional territory such as Germany (one) and Belgium (one).

The most striking gain in the Green vote came in the UK, where the party came from almost nowhere to take 15 per cent of the ballot, the highest anywhere in the Community. But, because of the first-past-the-post system, this did not translate into any seats. The performance of the Greens in the UK also defied the pattern elsewhere, since most of the party's votes came at the expense of another minority party – the Democrats – rather than the two big parties.

Extreme right-wing parties ate into support for centre-right parties, most strikingly in West Germany, where the Republicans, contesting their first Euro-election won an estimated 7.6 per cent of the vote, enough to seat six of them in Strasbourg. Elsewhere, the extreme right more or less held its own. The Vlaams Blok, a Flemish nationalist party, won a seat in Belgium, offsetting the loss of an Italian MSI seat. The list fought in the name of Mr Jose Maria Ruiz-Mateos, the financier who is a fugitive from Spanish justice, appears to have won two seats. It is unclear where, or indeed whether, to count these gains.

The success of the protest vote against larger, more traditional parties has resulted in an increase in the number of political parties represented at Strasbourg from 79 in the old parliament to 84 in the new. Most of the new parties will find their way into the parliament's eight political groupings, though the coherence, for instance, of the Greens and its probable allies in the Rainbow group will probably be severely strained.

But the results must also be read for what they portend for the overall left/right balance in the parliament. The Socialist gains are not quite as large as they were projected on election night. Indeed the probability that the Socialist group has increased from 166 in the old parliament to 181 in the new is almost entirely due to Labour gains in the UK. This reflects popular disenchantment with Mrs Thatcher's policies, but also shows how the British electoral system creates much greater swings in seats between the country's two main parties than proportional representation does in the other 11 countries.

None tha less, the gains of the Socialists and of the Greens have more than offset Communist losses (chiefly in Italy and France), to give the broad left a narrow majority (just over 260) in the 518-seat parliament for the first time. What seems to have been happening in recent years is that Socialist parties, particularly where they have gained power in, for example, France and Spain, have moved more towards the centre ground. This has opened up electoral territory to their left, which the Greens are now fruitfully tilling.

It is not a prospect that Socialist parties can contemplate with any equanimity. But, for the purposes of this election, the fact that the Greens gained so much (up from 23 to 39 seats) without overall damage to the Socialists means an expansion of the left. There is, in any case, a certain appropriateness in a heavy Green presence in Strasbourg, given that the environment is one of those areas where policy is increasingly being set at Community level.

Tha moderete right will have to cohere more closely than it has done, if it is to make its reduced numbers tell. An internal realignment on the right has, in any case, been on the cards since Spain's Partido Popular announced its intention last month to join the Christian Democrat group in Strasbourg and to desert the hitherto UK Tory-dominated European Democratic Group (EDG).

As a result, the EDG, now numbering only about 34 (Tories plus two Danish conservatives) will drop from third to sixth place among the Strasbourg groups. The only group with less troops than the EDG is the European Democratic Alliance (EDA) with a dozen Gaullists and half a dozen Irish Flanna Fail MEPs.

Given that money, staff and committee assignments depend crucially on a group's size, there is a practical logic in the two groups joining forces. But this discounts ideology. It is impossible to see Fianna Fail, a party founded on rejection of the division of Ireland, being part of such a merger, and not easy to see Gaullists reaching accommodation with the Tories, to the extent that in Strasbourg the latter still take their line on EC policy from Mrs Thatcher.

One early occasion for a line-up of left and right in the new parliament will be next months's election of a president – roughly equivalent to the Speaker of the House of Commons. Before the poll there had been talk that the two largest blocs – the Socialists and Christian Democrats – might get together and agree that each would take the presidency for a two-and-a-half-year period during the new parliament's five-year term. Such a deal now seems unlikely.

The British Labour group is not after the presidency for one of its number, but is ill-disposed to seeing it pass to a non-Socialist. The current prediction is that Mr Enrique Baron, a Spanish Socialist, will replace Lord Plumb, the British Tory, as president, thereby dashing the hopes of such new MEPs as Mr Giscard d'Estaing, a former French President, and Mr Leo Tindemans, a former Belgian Foreign Minister, for the job. Labour will certainly make its new weight felt when chairmanships of the 18 standing committees are shared out.

The left/right divide is generally more blurred on the substance of Community policies. This is even true when social policy, such as the European Commission's proposed workers rights charter to which the UK Government so much objects, is debated. Christian Democrats, many with ties to "Christian" trada unions, support such proposals. But even if they did not, it is now probable that the parliament's broad left will be able to push social, environmental and consumer protection proposals through on their own.

The next five years are certain to see the parliament pushing for greater legislative powers. Indeed in one corner of tha Community, Italy, the agitation has already started. In a refarendum accompanying their Euro-poll on Sunday, Italians appear to have voted overwhelmingly in favour of the proposition that the new parliament should be a constituent assembly, empowered to draft a constitution for a Euro-government and to send it direct to the national parliaments of the 12 for ratification.

This will be dismissed by most people as Latin froth from a country notorious for its rhetorical attachment to European federalism. But an important hrake on this sort of proposal at Strasbourg has been British MEPs, of both the main parties. The latest election has wrought a drastic change in the UK's representation, eliminating some of the more Thatcherite MEPs and boosting a Labour group now more committed to an active, and co-operative, Community policy.

In West Germany, success for the party of the little man

For 40 years the far right in West Germany has enjoyed only the power to cause alarm. Political impotence was ensured by association, however distant, with Hitler, and by the ability of the late Mr Franz Josef Strauss to integrate the nationalist right into the Christian Democrat/Christian Social Union alliance.

The Republican Party appears to have hroken that mould. Its 7.1 per cent poll in tha European election, following similar success in the West Berlin state election earlier this year, is the greatest success for the radical right in a national poll since the war and – if repeated in a national election – could win the party a key role in Bonn coalition building.

To Mr Franz Schönhuber, the Republican leader, the success is just another indication that Germany is becoming "normal" – with a proper left, a proper centre, and now a proper nationalist right too.

The 66-year-old Bavarian who lost his job as a TV commentator for writing an unapologetic account of his time in the Waffen SS is a polished performer who manages to attract both extreme xenophobes and more moderate nationalists.

How far to the right the Republicans are is hard to tell. Mr Schönhuber has spent much of the past six months trying to distance himself from the neo-fascist fringes. He describes the NPD, which rose briefly to prominence in the late 1960s, as "a bunch of reactionaries who have not got over losing the war."

He also states firmly that he is not a racist or an anti-Semite and that there is nothing to be said for Hitler.

None the less, the populist rhetoric overlaps with the extreme right at many points: hostility to asylum seekers and foreign workers, opposition to the European Community, to American "occupation," and international capital, support for ecological issues, reunification, old-fashioned values and the "little man."

Above all Mr Schönhuber detests the enforced liberalism of the post-war German state and hypocrisy about the past which he believes has corrupted public life.

At his rallies he likes to run through a long list of Jewish artists, saying how much he likes them, but rounds off by saying that he refuses to be forced to like Mr Heinz Galinski, the unforgiving head of West Germany's small Jewish community.

Republican voters come from all social groups but seem to be concentrated in lower income groups and among the very old and very young. They are also concentrated in the southern states of Baden-Württemberg and Bavaria.

David Goodhart

OBSERVER

Right time to sell

■ The withdrawal of Sir Y K Pao from Standard Chartered might have just as much to do with the urgent consolidation of executive time as it has with money.

Ever since his decision last year not to participate in the bank's rights issue, observers have been generally agreed that the disposal of his "personal" 10 per cent stake was only a question of when. The recent strengthening of the bank's share price may have helped recoup the losses he had made on one of his career's less inspired investments, but yoo probably have to turn to the uncertain plight of his family's interests in Hong Kong, and in Y K's native China, to find the key to the decision to sell now.

Over the past two years Y K's "number two" son, Peter Woo, has been the family's monthly commuter to Standard Chartered's board meetings, and there is a strong case for arguing that the family needs all of his executive attention at home. Corporate Hong Kong has been shaken to the core by recent events in China, and the Pao family, which is one of the territory's leading landlords, must currently be committing all hands to damage control, and contingency planning.

Perbaps the biggest beadaches fall not to Peter Woo, but to "number one" son, Helmut Sohmen, who minds Y K's "moveable" assets – his shipping fleet, and the fledgeling Dragon Airlines, which boasts a flight network linking Hong Kong with a clutch of mainland Chinese cities.

Even as business links witb China have been growing over the past two years, Dragonair has found it difficult to pick up all the passengers it would like. The decline in business contacts that has resulted from recent events in Peking could make the task even harder.

Useful dates

■ Birthdays this year: Kenneth Baker, 55. Kenneth Clarke, 49, Sir Geoffrey Howe, 63. Douglas Hurd, 59. Michael Heseltine, 56, Tom King, 56. Nigel Lawson, 57. John Major, 46. Nicholas Ridely, 60. Margaret Thatcher, 64.

Path to Brady

■ It's a sign of the times in Latin America that economic studies are best-sellers. Hernando de Soto, the Peruvian economist, has seen his book about the informal economy in Peru, El Otro Sendero (The Other Path), translated and sold across the continent.

The title is a play on words, referring to Peru's maoist guerilla organisation, Sendero Luminoso (Shining Path), and the alternative path the country could pursue if it were to harness the dynamism inherent in the informal sector of the economy. On de Soto's calculations, it contributes nearly 40 per cent to the gross domestic product.

The book has just been translated into English and has a forthright introduction from Mario Vargas Llosa, the Peruvian novelist turned presidential candidate who helped persuade de Soto to write it.

As a former economist for the GATT and managing director of Peru's Central Reserve Bank, de Soto argues that a lot of the problems of underdevelopment are the developing countries' own fault. People turn to the informal sector because they feel excluded from the formal economy by too many laws and state controls.

A pre-condition for progress is a rebuilding of Peru's – and Latin America's – institutions, especially the judiciary, he writes. "It has been a great mistake in the Brady Plan for Latin America to emphasise economic restructuring and ignore this aspect."

Oddly enough, people listen. De Soto has just had an invitation from Nicholas Brady, the US Treasury Secretary, to discuss his ideas. They meet next week.

"Tory Central Office are looking for a scapegoat."

Spanish chic

■ Obviously Spain's month. First Arantxa Sanchez wins the French Open at the age of 17. Then the country upstages Britain by becoming a full member of the European Monetary System. The European Council meets in Madrd at the end of the week and and there is a wonderfully funny Spanish movie showing in London. Do not be put off by the title. "Women on the verge of a nervous breakdown" sounds enough to keep anyone away. It is very witty, and not at all sexist.

Only one quibble on the whole Spanish front. It was not easy yesterday to find the peseta's central rates against the Ecu. One of the two officials responsible at the EC Commission in Brussels was said to be in Luxembourg, while the other had gone home. No-one got round to amending the Commission's normally authoritative page on the Reuter screen. The Bank of England said a "search of the huilding" had turned up nothing, while other central banks could find exchange rates for the peseta only against their own units. It was discoverd at 6.15 pm that the rate is 133.804, a bit late to move the market.

Fully vacant

■ "Rare," Allsop the auctioneers, called it. Could not remember two sales offerings like it: good location; potential for conversion. Each classified in the catalogue as "freehold public convenience."

The sell-off of public assets has spread to loos. The owner is the Westminster City Council, of cemetery sale fame. One is in Foley Street, not far from Oxford Circus and the other in St John's Wood Road, just down the way from Lords cricket ground. Both have four WC cubicles: fully vacant, the catalogue assures buyers.

These are not any old loos. They have the traditional decorated wrought iron gates and fencing and a white tiled stairway downwards. Foley Street has the most imaginative possibilities because it has planning permission for an artist's studio. Guide price is £50,000. St John's Wood is more mundane – it seems destined for storage space – and carries a guide price of £25,000.

Excuses

■ One of the more bizarre reasons given for not voting in last Thursday's European elections came from an acquaintance who is an accountant. He said he had been attending a lecture on 1992.

LETTERS

Brain drain means not just numbers, but quality

From Professor Richard Layard and Mr Jonathan Wadsworth.

Sir, Your editorial on academic salaries (June 13) was excellent – except in one respect. You underestimate the problem. You compare the quality of the brain-drain economists with the quality of economists at the London School of Economics without comparing the quality of LSE with the rest of Britain.

The following figures show how truly awful is the gap between those who have left and those who remain.

If we take the standard journals (1988 issues) and count the number of writings by different authors which are cited, we find the following:

Brain drain (top eight economists who left the UK) 1,177;
LSE (55 staff) 1,051;
Oxford (72 staff) 785;
Cambridge (64 staff) 584.

Thus, when compared with institutions other than LSE, the quality of the brain drain is even more disturbing.

The position would be less serious if Britain still held its former world pre-eminence in economics. This is unfortunately *far from the case. For* example, here are two recent world-wide rankings of economics departments, on the basis of their publications in the leading economics journals (as summarised in American Economic Review 1984 and Econometric Theory 1987):

World-wide rankings, all economics:
LSE, four;
Oxford, 26;
Cambridge, 37;
World-wide rankings, empirical economics:
LSE, two;
Oxford, 40;
Cambridge, 19.

This partly reflects the brain drain that has already occurred, and is well reflected in the following horrific statistic:

If we take British-educated Fellows of the Econometric Society – roughly the equivalent of Fellows of the Royal Society – nearly half of them now work in North America.

It would be interesting to have comparable statistics to these for other subjects. But we should be surprised if economics alone were in difficulty.

We urge Mr Robert Jackson, the Higher Education Minister, to arrange for a comprehensive evaluation of these issues.

Richard Layard,
Jonathan Wadsworth,
Centre for Labour Economics,
The London School of Economics and Political Science,
Houghton Street, WC2

The right to strike

From Mr Neil Moore.

Sir, In discussing the TGWU's travails in the courts over the docks dispute, Justinian (June 12) refers to "the valuable right of the individual in a democratic society to withdraw his or her labour."

But those who invoke the right to strike invariably have in mind more than this: the right also to resume work at a time of the individual's own choosing. This ignores the fact that there are other interested parties who also have rights, not least the employer's customers and suppliers.

The planned rail and tube strike illustrates this point. Those most severely affected will not be the British Rail and London Transport management, but their customers – notably those thousands of conscientious folk whose commitment to their employer and his business, be it City firm, shop, school or hospital – is rather greater than the National Union of Railwaymen's to BR and LT. They will struggle in to work in conditions of stress and discomfort, mischievously made worse for London commuters on this occasion by the deliberate coincidence of two strikes which will not increase the pressure on either employer but multiply the misery for the travelling public.

Is not the right to work – and to travel to work without harassment – as important as the right to strike?

Neil Moore,
Renby,
Eridge Green, East Sussex

Funds for higher education

From Mr C.M. Mason.

Sir, Mr Robert Jackson, the Minister for Higher Education, offers a very simplistic explanation for the academic brain drain. He seeks to absolve the Government of any responsibility for this trend ("Dealing with the brain drain," Letters, June 13).

All the accounts that I have seen clearly indicate that the low university salary (and, by implication, the rigid national university pay structure) is only one of a number of reasons for the emigration of United Kingdom academics to North America, and is rarely cited as the most important or only factor.

Deteriorating working conditions (as reflected, for example, in university library budgets which fail to match increases in the costs of books and periodicals) and declining research support (for example, research staff, laboratory facilities and equipment), all directly related to the Government's unwillingness to fund the real costs of running UK universities, are also important reasons for the academic brain drain.

The low morale among British academics, which has been induced by the Government's treatment of universities during the past 10 years, is a further important "push" factor.

Contrary to Mr Jackson's view, much of the blame for the academic brain drain must be placed with the Government.

C.M. Mason,
13 Tanhouse Close,
Hedge End,
Southampton, Hampshire

Trade associations could amalgamate

From Mr W.T. Williams.

Sir, Noting Hazel Duffy's comments on chambers of commerce (May 31), may I suggest that Mr Cecil Parkinson, the UK Trade and Industry Secretary, and the Associated Chambers of Commerce are looking down the wrong end of the telescope?

In the UK, in the main, manufacturing business is conducted through trade associations, not chambers of commerce or similar organisations. To suggest that chambers of commerce could or should fill the role they do on the Continent is nonsensical.

The work they do is excellent, but with few exceptions chambers of commerce are quite incapable of tackling other than local problems. *Indeed, their membership consists* largely of service traders. The London, Sheffield, Birmingham and perhaps a dozen more chambers do get successfully involved in exports and manufacturing, but I doubt whether any chambers are in any way concerned with the engineering, research, or technical aspects of manufacture; nor should they be.

Proponents of chambers do them little good by pushing them into areas where they are ill-equipped to cope. Indeed, if it were not for the monopoly held by the chambers for certificates of origin and so on, I suspect a large number would be non-starters commercially.

The EIA works amicably with them all. But it is from *the trade associations that* the essential regeneration of industry will come. I accept that there are far too many of these: some amalgamation is long overdue. A plethora of organisations makes consultation time-consuming and untidy – but consultation should not be omitted.

Let us not confuse the shadow with the substance. Mr Parkinson should start talking in depth with trade associations before launching any more moist if not downright damp squibs. We really do know our business.

W.T. Williams,
Engineering Industries Association (EIA),
16 Dartmouth Street, SW1

A question of principle

From Mr B.V. Payne.

Sir, Lord Havers' suggested solution to the Outhwaite problem reminds me of the story of George Bernard Shaw, who asked a socialite if she would sell her body for £1m. She said "yes" – but when he asked her if she would do the same for sixpence, the answer was: "What do you think I am?" Shaw replied: "We have established *that, madam*. We are now haggling about the price."

I am surprised that Lord Havers seeks to put Lloyd's in the same position as the unprincipled lady at the party.

B.V. Payne,
191 Forest Road,
Tunbridge Wells, Kent

'Please, Mr Bottomley, be brave'

From Mr Michael Valentine.

Sir, Mr Peter Bottomley, the Minister for Roads and Traffic, presents the notion that the options provided by the consultants to whom the Department of Transport have sub-contracted their work are *alternatives* (Letters, June 14). This contains the dangerous implication that one or more of the published options has to be realised.

The objections to the proposals, already voiced by enormous numbers of people in London, should have led a responsive minister to confirm that he did not have to pursue any of the options proposed by the consultants. Following on from this, the organ blast of public opinion opposed to options which would involve the construction of important new roads should have led him to decide against any of them.

This would include the "Western Environmental Improvement Route" – weasel synonym for a motorway through Earl's Court, where the sinister processes have reached a more advanced stage. Public inquiries have been held, not (as you might expect) in order to air views on whether the local people want this road, but on which of various roads would be least offensive – in other words, no option at all so far as building a new road is concerned.

Mr Bottomley should also consider the catastrophic damage caused by his agents (the consultants) both to the values and the transferability of property in any area where their "optional" roads are postulated. It sits ill with the policies of the present Government that it should have inflicted this kind of deprivation on so many people in London.

So come on, please, Mr Bottomley, be brave. Say that overwhelming public opinion shows that Londoners do not want roads through London to help commuters and through-traffickers. Say that you will concentrate on improving the public transport system, which clearly needs more money and much better management. Say that otherwise you will spend money on improving existing roads. If (with a suitable flourish) you cancel the consultants' work on the grandiose road options, you could move from local ogre to local hero in one easy jump.

Michael Valentine,
33 Keswick Road, SW15

From Mr K.J. Fane-Saunders.

Sir, Mr Peter Bottomley, the Minister for Roads and Traffic, says (Letters, June 12) that new road options should be conceived with great care and sensitivity for the environment and social fabric of the areas concerned, and no plans will be put forward that do more harm than good.

It is impossible to reconcile his sentiments with option alternatives published by the Department of Transport. These involve the wholesale destruction of hundreds of London homes and enormous environmental damage.

No one disputes that London's transport policy is in a mess. Building more roads may make sense to building contractors, but new inner ring roads and other "improvements" designed to relieve the congested M25 by bringing more private cars into London are sheer madness.

Although it is reassuring that the Government is being required, through membership of the EC, to improve the quality of the water we drink and the air we breathe, we still have responsibilities to safeguard our own environment. Apart from the appalling way in which the Government is addressing the capital's transport problems, one can also point to what Colin Amery, your architecture correspondent (June 12), calls the "incredible" decision by the Environment Secretary to allow the demolition of almost the last acre of significant 19th century architecture in the City of London.

K.J. Fane-Saunders,
34 Dryburgh Road, SW15

From Mr A.C. Davey.

Sir, It is to be regretted that the difficult problems of London's transport needs are being tackled by a minister ideologically averse to an integrated transport policy for the capital.

The various assessment and rail studies have been commissioned with terms of reference which preclude an overall view of needs and solutions. This is one reason, among others, why the assessment study options are indeed – despite Mr Peter Bottomley's denial (Letters, June 13) – dominated by road proposals (Letters, June 14).

Mr Bottomley is also incorrect in claiming that London boroughs are in agreement with the objectives of the assessment studies. The borough of Haringey refused to take part in the East London study because it considered that the Department of Transport's consultants would put forward road solutions, and pay lip service only to alternative and complementary means of transport. The East London options so far published confirm Haringey's view.

It is particularly unfortunate that Mr Bottomley and his officials accuse local community groups across London of "hysteria", and of causing blight on their own homes by drawing attention to the consultants' reports. Indeed, Haringey was accused by Mr Bottomley of "scare-mongering" when recently it circulated, to concerned residents, a summary of the East London options. Transport and environmental issues demand more thought and more honesty than that.

A.C. Davey,
Friends of the Parkland Walk,
Station House,
Stapleton Hall Road, N4

Dilemma for Lloyd's

From Mr Anthony Mitchley.

Sir, Mr Edward de Bono's requiem for "Lloyd's decline" (June 17) lists five causes, most of which apply to the insurance industry as a whole.

He invents a sixth cause in urging that "the Outhwaite affair must be settled equitably," as if the long-suffering members of Lloyd's must now meet others' losses on some equitable ground beyond the legal liability of "each for his own part." Many other syndicates have made calls of over 100 per cent of members' lines. Are they to have the benefit of this equitable principle?

No doubt the continuing losses of some syndicates have often been caused by bad insurance underwriting. The conflict of interest at Lloyd's has not been excised by "divestment." Bad insurance is often better than no insurance, where the managing agent, with limited liability, is guaranteed all his expenses as well as his fees, irrespective of profitability, from his members with unlimited liability.

For the purpose of growth, volume of business becomes paramount. It is surely wrong for managing agents to be declaring an increase of 125 per cent in profits while making calls of 125 per cent from their members. Surely these should meet the losses of their syndicates before reaping the profits from bad insurance?

Anthony O.R. Mitchley,
15 Bryanston Square, W1

Capped by logic

From Mr Philip Chappell.

Sir, Dinosaurs' tears cut no ice (if I add another mixed metaphor to the gaggle which salary "caps" have generated).

Once the National Association of Pension Funds has accepted an earnings-related £60,000 salary cap for tax-allowable pension contributions, it has accepted the principle that the tax subsidies presently given to pension funds have an inequitable effect. Following Mr Dawesey's argument (Letters, June 11), what logic lies in the figure of £60,000?

Occupational pension funds, as they have developed in the UK, are a "scandal" on three simple counts:

● They concentrate ownership, when we should be giving every encouragement to wider ownership;

● They penalise job mobility, when all the emphasis should be on flexibility in job patterns;

● They enjoy tax subsidies; higher taxes on the very poor (who are excluded from pension schemes) and on average workers (who are penalised) are used to enhance the cross-subsidised pensions of the minority.

At least we can agree on the need to press the Chancellor for a green paper on savings which must either justify the present shambles or propose a more tax-neutral environment.

Philip Chappell,
22 Frognal Lane, NW3

FOREIGN AFFAIRS

Salvage from the wreckage

Robert Mauthner asks what the western response should be to the recent crack-down in China

The brutal manner in which the Chinese leadership and army have suppressed the pro-democracy demonstrators has, not surprisingly, caused outrage in the western world, as well as in some communist nations of eastern Europe. For Europeans, the death sentences meeted out to "rioters," the manipulation of news films to make it look as if the students had attacked the soldiers on Tiananmen Square and the official propaganda campaign accusing them of being "counter-revolutionaries," has an all too familiar ring.

In these heady days of glasnost, when the most powerful communist leader in the world has been busy embracing babies in Bonn and receiving the cheers of ecstatic steelworkers in Dortmund, we were unexpectedly given a sharp reminder of the Stalinist purges of the 1930s, of Budapest in 1956 and Prague in 1968. Just when everyone thought that communism, even in China, had turned the corner and that we had embarked on a new era of peaceful East-West co-operation and friendship, the situation has suddenly begun to look much more fragile.

If things can go so seriously, *and so quickly*, wrong in China – which embarked on its own brand of perestroika some seven years before Mr Gorbachev came to power – then, some argue, the same could happen in the Soviet Union. That, at least, would be Mrs Margaret Thatcher's opinion. The Prime Minister and Sir Geoffrey Howe, her Foreign Secretary, have not ceased to warn the world that Mr Gorbachev's reign could be very transient and that the West must remain prepared for a return to less enlightened Soviet policies.

This is a view that the West German Government and people clearly do not share, even in the light of recent events in China, as they demonstrated in their enthusiastic reception of Mr Gorbachev last week. Though their western partners must have some reservations about the passionate embrace they gave the Soviet leader, the Germans are probably right not to draw too many parallels between the situation in the Soviet Union and China.

For a long time, the Soviet and Chinese Communist Parties have taken separate paths and their attitudes towards reform differ in a number of fundamental respects. Not least, Mr Gorbachev is a dynamic leader nearly 30 years younger than the octogenarian and ailing Deng Xiaoping and, unlike the latter, appears to be in full command of his party's politburo.

One of the most significant differences between the Soviet and Chinese reform concepts is that the Moscow version contains an explicit political element which the Peking formula lacks. Mr Gorbachev has always made it clear that the restructuring which, everyone agrees, is required to make the Soviet economy more market-oriented and internationally competitive, cannot be achieved unless it goes hand-in-hand with greater political and personal freedom.

The Soviet leader has been as good as his word. The elections to the Congress of People's Deputies last March were the first important step on the road to more democratic government in the Soviet Union.

Some argue that if things can go so wrong in China, the same could happen in the Soviet Union

At the same time, freedom of speech and freedom of the press, though by no means complete, have at least reached the stage where the country's political leadership and bureaucracy can be openly criticised. Mr Gorbachev's policies are still contested by certain sections of the Party and the bureaucracy, and the success of his economic reforms remains in doubt, but he has assured himself of wide public support – thanks mainly to the creation of a more open and, by previous Russian standards, more democratic society.

The same can hardly be said of Deng Xiaoping. Western observers have often been mistaken in believing that glasnost means the same in Peking as it does in Moscow or in western capitals. While it is true that Zhao Ziyang, the Party leader who has reportedly been deposed, argued in favour of making the Party more accountable to the people and of separating it from the government, nothing of the sort has happened. Openness has always been interpreted by Deng Xiaoping and his hardline politburo supporters as *essentially an opening of the* country to foreign technology, capital and trade. In the highest official quarters, it has never taken on the broader sense of an opening of the whole political system.

The liberalisation which has occurred has been mainly the practical result of the early success of Deng's economic reforms. Rapid economic growth, decentralisation, the development of private enterprise and the opening of the country to foreign businessmen, technicians, teachers and students, created a more relaxed social climate but only the illusion of greater democracy. Yet even this limited loosening of the reins provoked fears among the hardliners that the party was no longer in full control and losing its "leading role."

The greater flexibility and freedom that the economic reforms have brought are now likely to be held responsible for provoking demands for the political and social reforms which the students called for during their brief spell of freedom in Tiananmen Square.

That view is compounded by the hardliners' conviction that the recent deterioration of the economy and, particularly the persistent rise of inflation, is largely the fault of the devolution of economic decision-making. To judge by the remarks of Li Peng, the hardline Prime Minister, which were made even before the tragic events at the beginning of this month, more centralised control by the Party over the economy is likely to follow on the heels of the political clamp-down that is already under way.

Contrary to his liberal image in the West, Deng has never hesitated to clamp down on political dissent and was responsible for the ruthless suppression of the Democracy Wall movement 10 years ago, to name but one outstanding example. He is likely to be much more reluctant to see a similar return to communist orthodoxy in the economic field, a move which would negate his own handiwork. But that presupposes that he is still in complete control, an assumption which may be doubted both because of his age and ill-health and the events of the past few weeks.

What, in the circumstances, can the West do to show its disapproval of the Chinese Government apart from the preliminary gestures made by the US to suspend all government-to-government exports and commercial arms sales to China and Britain's decision to cancel a joint meeting on Hong Kong? Comprehensive global sanctions are not likely to win general support. The most effective sanctions will be those applied by private companies and businessmen, who will *hesitate to resume their* activities in an atmosphere of political terror and centralised economic control.

For the moment, the wisest course of action for the West is to wait for the outcome of the leadership battle and to see what its policy implications are. Though they would assuage public and parliamentary opinion, hasty punitive measures while the political situation in Peking is still uncertain are likely to be counter-productive.

China has a long history of isolating itself from the outside world and could do so again, at least for a period, particularly if its historical sensitivity about western interference in its internal affairs was aroused. To preserve even the smallest chance that some of the limited freedoms won by the Chinese people over the past decade might be saved from the wreckage of Tiananmen Square, the West must ensure that an opening remains in the bamboo curtain.

FINANCIAL TIMES
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Greek communists reject Mitsotakis coalition plan

By Andreana Ierodiaconou in Athens

GREECE'S OPPOSITION Communists late last night rejected a proposal by Conservative opposition leader Mr Constantine Mitsotakis to form a temporary coalition government with the main task of bringing members of the outgoing socialist government (Pasok) involved in financial scandals to justice and holding repeat general elections.

The conservative New Democracy party led by Mr Mitsotakis came first in terms of votes in Sunday's inconclusive Greek general election, but owing to the current electoral system failed to secure an absolute majority of seats in the 300 member house. The result has opened the possibility for rule by coalition governments.

The Communist announcement indirectly rejected Mr Mitsotakis' proposal by saying that the Communist Alliance a coalition between the Euro-Communist and Moscow line wings of the Greek Communist movement, which came third on Sunday, would seek to form its own coalition with members of the outgoing socialist party not implicated in financial misdemeanors.

The Communists' decision was not a surprise given that Mr Mitsotakis, a symbol of the old right in Greece, is a figure whom the Greek left have traditionally loved to hate. The Communists' response, however, dashed Mr Mitsotakis' hopes of quickly gaining the Prime Ministerial office.

Under the Greek constitution following Sunday's inconclusive result, the President of the Republic must ask each of the top three party leaders in order of strength to try to set up a viable government. According to constitutional experts it is unclear whether a minority government could be considered legal if it does not command 151 seats in the house but enjoys the silent support of an opposition majority. If the matter is decided in favour of a minority government this might enable Mr Mitsotakis to take office alone in order to lead the country to new elections.

If none of the three major parties succeed in forming a viable government then a caretaker government is formed and would be responsible for holding repeat elections.

The open question following the Communists' decision was whether they could hope to gather a sufficient number of socialist deputies whose names have not been implicated in financial scandal to achieve a majority of seats in the house.

In Sunday's contest the Socialists scored 125 seats and the Communists 28. If the latter demand, as they have indicated they will, the removal of the acting Prime Minister, Mr Andreas Papandreou from the leadership of the Socialist party it is conceivable that a number of Socialist deputies will go with him.

The Socialists owed their defeat mainly to entanglement in a fraud scandal involving Mr George Koskotas, a former banker and press baron, which has scandalised the country.

A law specifies that ministers implicated must be prosecuted by the parliamentary assembly which emerges from Sunday's election, otherwise their offences will be written off.

Telling the good from the bad

The US is weighing its options in South Africa, writes Lionel Barber

DURING a recent pep-talk to foreign service professionals at the US State Department, Mr James Baker was asked to identify policy failures under former President Ronald Reagan. "Central America and South Africa," he shot back.

The answer baffled those present. Many considered the US role in sponsoring the Namibia-Angola settlement a clear success. But the new Secretary of State was adamant: Congress's vote in 1986 to override a presidential veto and approve economic sanctions against South Africa amounted to bad policy and, like Central America, represented a breakdown between the executive and legislative branch.

Mr Baker's desire for co-operation between the Republican White House and the Democratic Congress is a useful policy pointer now that the Administration is renewing its interest in South Africa.

President George Bush, expressing an abhorrence of apartheid, has already charmed the combustible Archbishop Desmond Tutu at the White House. Mr F.W. de Klerk who is expected to take over as South Africa's next president, is due to visit Washington later this year.

Mr de Klerk would be the first leader of the Pretoria government to visit the US in 30 years. The word is that this is merely a "mutual sizing-up session," but some officials believe the trip offers an opportunity for the US to renew efforts to open a dialogue between Pretoria and opposition groups, including the African National Congress.

The questions are whether the Administration – which is preoccupied with East-West relations and the Middle East – shares this sense of urgency; whether it may be willing, as one senior official suggests, to allow Britain, which hosts Mr de Klerk this week, to shoulder e greater diplomatic role; and how it intends to deal with the Democratic majority in Congress, which is considering e further, far tougher package of economic sanctions against South Africa.

US State Department's James Baker (left) and South Africa's leader-in-waiting F. W. de Klerk

To date, the Administration's tempo has been more adagio than allegro. A policy review on southern Africa is not yet complete and Mr Hank Cohen, successor to Mr Chester Crocker, the senior State Department official who spent eight years mediating the Angola-Namibia accords, has remained deliberately opaque.

Yet the atmosphere of external calm is misleading. Last April, Mobil Corporation, the largest US company still in South Africa, announced it was pulling out. Mobil, with $400m in assets and nearly 3,000 employees there, led the anti-sanctions campaign in the US; its disinvestment strips the movement of its most articulate voice.

The oil company blamed a 1987 change in tax law, sponsored by Congressman Charles Rangel of New York, which banned US companies from claiming an American tax benefit for taxes which their South African operations paid to the Pretoria Government. Its decision may be a watershed.

Until the Mobil pull-out, US *disinvestment was slowing.* Only 28 companies withdrew last year, compared with 52 in 1986 and 56 in 1987, according to the Washington-based Investor Responsibility Research Centre. One reason was that the biggest companies have already folded their tents; another is that the 136 US businesses which remain believe their presence can be a positive force for political change.

Bishop Tutu's recent mission to Washington was marked by a similar ambivalence toward sanctions. Some lawmakers appear to be having second thoughts too. In the newly mercantilist mood in Congress, some have noted that Japan replaced the US as South Africa's major trading partner in 1988.

This has not deterred Congressman Ron Dellums, the California Democrat, from pressing his bill for new, comprehensive and multilateral sanctions against South Africa. Mr Dellums, who first introduced sanctions legislation in 1971 and secured part of his goal in 1986, has already amassed 135 signatures in the House. But, as he recognises, the key to passage lies in the *US Senate.*

Mr Dellums met recently with Senator George Mitchell, the new Senate Democratic Majority leader, to discuss the timetable for legislation, and to urge the Senate to take the lead. Senator Mitchell, who voted for the 1986 sanctions, may move early – but he too knows that to win he needs at least 60 votes to head off a certain Republican filibuster led by Senator Jesse Helms.

The notion of allowing Britain a greater diplomatic role sounds plausible, with one caveat. The Soviet Union too has indicated it wishes to play a role in the region. The Soviet contribution towards promoting the Angola-Namibia accords through pressure on its Cuban client state was one important sign; Moscow's recent public attempts to play down its role as patron of revolution is another.

Mr Baker thinks he has learnt from the foreign policy failures of the Reagan administration. The test will be whether he can adapt to e new era where a country such as South Africa does not fit easily on the East-West chessboard and where, as one expert in *Washington says, "it is no longer so easy to tell the bad guys from the good guys."*

Commission to fund microchip research

By Judy Dempsey in Vienna and Terry Dodsworth in London

EUROPE'S largest and most ambitious collaborative research project into semiconductor technology is to receive almost Ecu1bn ($1.02bn) from the European Commission over the next eight years.

The Commission's decision, announced at a meeting of European Industry Ministers in Vienna yesterday, will give Brussels an influential role in European efforts to catch up with the Japanese and US chip manufacturing industries.

It also marks a tentative shift of policy at the Commission, which up to now has stuck strictly to support for pre-competitive research projects. Although the Commission will maintain this stance in the chip project, some elements of the plan are much more market-oriented than any it has supported in the past.

The Commission is to provide a quarter of the Ecu3.8bn being put into the programme, known as Joint European Submicron Silicon (Jessi). Half of the funding will come directly from the industrial companies in the project, with the other 25 per cent being provided by individual European Governments.

The funding structure follows a year of tortuous discussion.

Jessi, launched at the same time as a similar venture in the US, was originally conceived by the Eureka research organisation for collaborative projects in advanced technology. However, the initial partnership arrangement between Philips and Siemens, helped by their respective Governments in the Netherlands and West Germany, was later expanded to include other companies and countries.

The Commission, through its Esprit co-operative research programme, became involved last year because of its increasing anxiety over Europe's weakness in semiconductors.

Chip manufacturing is regarded as a basic technology which exercises a vital influence over other electronics products. Dependence on overseas supplies for these components became a political issue when a number of European were starved of memory chips during the acute shortage that developed last year. Industrialists and officials have since complained privately that European companies were deliberately discriminated against by Japanese suppliers.

The initial stage of Jessi is *to run for 18 months, with* start-up funding of Ecu500m to be financed out of existing funds. According to Mr Pandolfi, the project will be divided into four parts:

- Co-operative research to develop advanced technologies for memory and logic devices.
- Research and development on production equipment and materials related to semiconductor production.
- Co-operation on development and standardisation of new computer-aided design tools needed to design advanced circuits.

Siemens signs DM1.5bn Soviet PC deal

By David Goodhart in Bonn

THE Soviet Union has signed e DM1.5bn ($753m) order for personal computers from Siemens, the West German electronics group. The deal, thought to be the Soviet Union's biggest ever outside order for computers, will involve delivery of up to 300,000 machines.

Details have yet to be worked out, hut Siemens confirmed Moscow would pay in Western currencies. Some reports suggested the foreign currency would be obtained from the sale of Soviet chemicals through a British trading house.

News of the agreement comes a few days after the end of Mr Mikhail Gorbechev's visit to West Germany. No large orders were announced then but Mr Gorbachev spent much of his time talking with businessmen.

It appears the computers will be used mainly by the Education Ministry and research institutes. Deliveries are meant to take place over the next three years with the possibility of extending the agreement for a further two.

Delivery volume may vary, dependent on whether the Soviet Union tries to build the machines under licence.

Cocom, the Western agency which controls high-tech exports to the Soviet Union, eppears quite relaxed about the order. Earlier this year, a number of items including various types of personal computer were removed from Cocom's restricted list.

Siemens' hreakthrongh in the Soviet computer market is the first hy a West German company and beat competition from Italy and the US.

Gateway in the balance

Continued from Page 1
reviewing the possibility of making a recommended offer.

However, some details of the proposed financing arrangements involved in the Wasserstein bid – should it materialise – *did become clearer. It is* thought that the bid would be pitched at about 225p-a-share, valuing Caleway at just under £2bn. However, the total funding package, after taking in the refinancing of existing Gateway deht, would be nearer to £2.5hn.

This would be met by some £1.5bn of senior debt, which US bank J.P. Morgan is thought to be arranging along with Citi*bank.*

Yesterday, the Gateway share price rose 3p to 215p – 5p ebove the Isosceles terms but well short of the rumoured Wasserstein price.

Thatcher 'disappointed'

Continued from Page 1
tury. The results also left the Government bereft of any European Parliament members in Wales or Scotland.

In spite of the obvious disappointment, however, ministers launched a determined campaign to play down the significance of the result and to rule out any panic changes in policy or cabinet personnel.

Downing Street indicated that this year's expected cabinet reshuffle would come st the end of July at the earliest, while Mrs Thatcher would not be pushed by "mid-term blues" into any policy U-turn.

The Prime Minister is expected to undsrline again her opposition to European Community plans for closer monetary integration and for a new European-wide social charter at next week's EC summit

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		-	-	Dubrovnik	S	24	75	Malta	C	21	70	Rhodes	S	23	73
Algiers	F	23	73	Edinburgh	S	22	72	Manchester	S	25	77	Rio de J'o		-	-
Amsterdam	S	27	81	Faro	C	23	73	Manila	F	34	93	Rome	F	23	73
Athens	S	24	75	Florence	F	25	77	Melbourne	Dr	11	52	Salzburg	C	18	64
Bahrain	S	34	93	Frankfurt	F	26	79	Mexico City	C	25	77	San Francisco	C	12	54
Bangkok	F	34	93	Funchal	F	23	73	Miami	S	26	79	Seoul	F	22	72
Barcelona	S	25	77	Geneva	S	24	75	Milan	F	24	75	Singapore	R	27	81
Beirut		-	-	Gibraltar	S	24	75	Montreal	S	17	63	Stockholm	S	21	70
Belfast	S	25	77	Glasgow	S	27	81	Moscow	F	24	73	Strasbourg		-	-
Belgrade	F	23	73	Guernsey	S	17	63	Munich	C	18	64	Sydney	C	16	61
Berlin	S	24	75	Helsinki	F	20	68	Nairobi		-	-	Taipei	C	34	93
Biarritz		-	-	H Kong	C	30	86	Naples	R	26	79	Tangier	C	23	73
Bombay	F	30	86	Innsbruck	F	22	72	Nassau	C	31	88	Tel Aviv	S	28	82
Bordeaux		-	-	Inverness	S	26	79	New Delhi	S	35	95	Tenerife	S	25	77
Brussels	S	27	81	Islamabad	F	35	95	New York	S	22	72	Tokyo	R	17	63
Budapest	F	24	75	Istanbul	C	19	66	Nice		-	-	Toronto	S	19	66
B Aires	F	18	64	Jakarta	C	30	86	Nicosia	S	25	77	Tunis	S	27	81
Cairo		-	-	Jersey	S	22	72	Oporto	F	21	70	Valencia	S	25	77
Cape Town	C	16	61	Jo'burg	S	16	61	Oslo	S	26	79	Venice	S	25	73
Caracas	R	27	81	Lima	F	19	66	Paris		-	-	Vienna	F	22	72
Casablanca		-	-	Lisbon	C	25	77	Peking	F	30	86	Warsaw	R	13	55
Chicago	F	19	66	London	S	26	79	Prague	S	21	70	Washington	S	3	37
Cologne	S	28	82	Los Angeles	S	17	63	Reykjavik	C	8	46	Zurich	S	24	75
Copenhagen	S	25	77	Luxembourg	S	26	79								
Corfu	S	25	77	Madrid	S	26	79								
Dallas		-	-	Majorca	F	25	77								
Dublin	S	23	73	Malaga	S	27	81								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Paris, Bonn challenge UK on union

Continned from Page 1
But he flatly rejected a revision of the EC Treaty, as called for by the Delors report, because the British Government did not consider that acceptance of the first stage should imply any commitment to a federal European banking system.

At a press conference, Mr Gonzalez said there was no prespect that an "exclusive" agreement on stage one of the monetary union proposals wonld he epproved unanimously by the European Council.

● *Peter Bruce in Madrid* writes: The Spanish peseta strengthened sharply against the D-Mark yesterday in its first day as a fully integrated member of the European Monetary System. Dealers in Madrid said the peseta closed at Pta 63.35 to the D-Mark, after opening at Pta 64.

The Spanish Finance Ministry had fixed the peseta's central rate in the EMS at Pta 65 to the D-Mark when it announced the currency's entry into the system

The Bank of Spain said it was not surprised at strong interest in the peseta at the end of its first day in the EMS, and that intervention huying during the day amounting to $419m was not "excessive."

Dsalers in Madrid also reported very heavy buying in Government treasury bills – letras del tesoro – yesterday as foreign and domestic buyers rushed to take sdvantage of high yields in Government paper. "There is e widespread market perception that interest rates havs now peaked," said an analyst, "and that this will put downward pressure on yields."

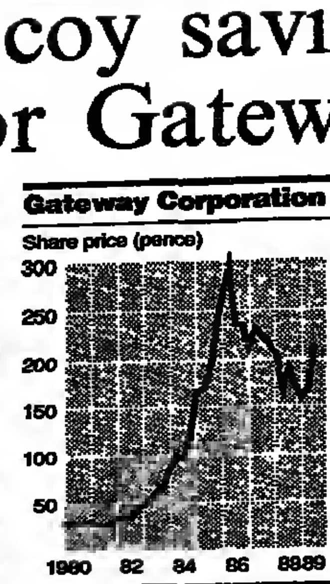
THE LEX COLUMN

A coy saviour for Gateway

The market has learnt not to get its hopes up over the famous counter bid for Gateway, and until late yesterday was betting 2 to 1 against a real live bid from the Wasserstein Perella camp actually appearing. Indeed, the long *fruitless* wait for a bid whose details were were being generously leaked into the market does not inspire confidence; neither does it inspire much admiration about the conduct of this messy transaction. The pause cannot have pleased the Takeover Panel much, and Isosceles can properly argue that yet another false element has been added to the market.

Investors' caution in pushing the shares up a mere 3p to 215p was quite understandable. Not only did KKR fail to make the thing work, hut the idea of keeping most of the superstores - the greatest consumers of cash in the retail sector - sits oddly with such a highly leveraged bid. Still, if the bankers are happy with 225p, Gateway's shareholders would at least be compensated for the 7 per cent rise in the food retailing sector since the Isosceles bid was raised.

The market assumes - perhaps over confidently - that Isosceles would not be inclined to increase its offer any further. In the event of a retreat, at least it would not owe its advisers a penny, and the £26m profit on its stake seems decent compensation for a few sleepless nights.



in the current year – a prospect which looked decidedly less than scintillating six months ago – appears ever more attractive as economic uncertainty grows. BET's chances of delighting the market are fairly slim, but its chances of delivering a nasty shock are even slimmer. Cleaning toilets may not be everyone's idea of fun; but it is nice work if you can get it in a recession.

Over the past six months or so, BET has certainly seen its image re-rated, even if its share price has not yet truly got into the act. BET's issue of American preference shares *has done* a lot for corporate appearances. The market had been used to torrents of stock from BET, hut last year's increase in outstanding shares of 3.9 per cent was hardly distressing. And given that it can issue a total of $600m in US preference shares, this should ensure that BET can avoid issuing too much in the way of ordinary shares for some time to come. Whether or not BET ends up being right about the potential for contracting out services in Europe, there is ample positive news to go on at the moment: and with the shares on a prospective yield at a 25 per cent premium to the market average, there is scant reason for underperformance.

Spain

The enthusiasm with which the financial markets greeted Spain's entry into the European Monetary System has caused something of a dilemma for the authorities. Having coaxed the Spanish peseta lower over the last month or so, the entry exchange rate against the D-mark is still higher than many expected, and was even higher yesterday after more hot money flowed into the Spanish bond market. Presumably, the argument is *that the stability offered by* EMS membership will enable foreign investors to take advantage of the high yields offered on Spanish paper, while reducing the risk of unpredictable currency devaluations.

The Spanish equity market takes longer to respond to events than some other markets and so its minimal reaction yesterday is not much of a guide. It has had a good run over the last few months and yesterday's drop in short-term interest rates should improve sentiment, especially if it is validated by official rates. However, if Spain is entering the EMS with an overvalued currency, the deflationary implications for the country's economic growth will have a painful knock-on effect on the corporate sector's above-average earnings growth.

Hunting

Given the market's obsessive desire to break up companies into their constituent parts, it was odd to see the Hunting family yesterday putting the bits of its empire back together again. It was even odder that the *justification* for the merger was identical to that given for all the recent demergers: that the market was not recognising the value of the various bits as presently constructed.

But the oddest thing was how well investors liked it, suggesting at first sight that the corporate fashion is about to change once again. The resulting company displays the ultimate dowdiness of combining oil assets with industrial ones, which everyone else has long since abandoned. However it also has shed one of the market's even greater hates - a complicated corporate structure with a mass of cross shareholdings - and in this fading and imperfect market that is evidently worth between 10 *and 15 per cent on the shares.*

BET

Over the past five years, the BET share price has tracked the market with such precision that it must be tempting to conclude that investing in BET will be the same as investing in an index fund, without the fees. In the near term, though, the prospects for BET's shares are if anything better than the market average. Estimated earnings growth of 10 per cent

Hambros

It is easy to be rude about Hambros' strategy. Having looked rather clever by sidestepping the general move into the securities business in 1986-87, Hambros' leap into the estate agency world is beginning to look like an unmitigated disaster. The slump in the housing market means that instead of earning annual profits of around £25m from this side of its business, it will probably show a small loss this year and the overall earnings for the next couple of years are going to be flat at best.

But however misguided this venture may be – and if it *buys out the minority in Hambro Countrywide* it could still prove to be an astute long-term move – Hambros is the only major merchant bank which makes a half-way decent attempt to explain where its 1988-89 profits came from. This makes it easier to criticise the quality of its earnings, but the stock market has to take it on trust that S.G. Warburg's profits are any better quality. It seems a trifle inconsistent that Hambros' shares should yield a fifth more than S.G. Warburg's, yet the latter's return on capital is considerably smaller.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday June 20 1989

INSIDE

Canadians dig in for last-ditch effort

The final phase of the reform package designed to make Canada's federally-regulated financial institutions better equipped to compete on a global scale is nearing completion. David Owen reports on the last-ditch, furious lobbying campaign being mounted by banks, trust companies and insurance groups in an effort to influence the character of the legislation. Page 22

Ecu bond market ruffled by Iberian newcomers

Ecu bond prices yesterday dipped before recovering to close at about the previous level after EC Finance Ministers agreed the terms under which the Spanish peseta and Portuguese escudo will become part of the Ecu basket of European currencies. Page 26

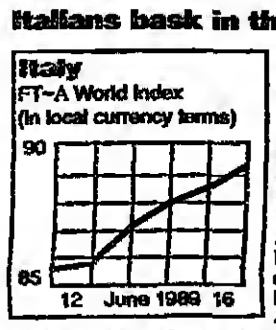
Something old, something new

Grand and venerable, yes; dull and dowdy, no. Baron Janssen, the amiable yet highly forceful chairman of Solvey, Belgium's biggest chemicals company, is keen to dispel images of the group as a producer of old-fashioned materials run by a bunch of toffs. This view is outdated, he tells Peter Marsh. Page 23

Time for some self-analysis

Physician, heal (or rather analyse) thyself. UK equity researchers are due for a bout of navel-gazing. A recent survey found that one in four company directors thought the standard of research had deteriorated in the past year and many institutional fund managers say they are not satisfied with the service they are receiving. Philip Coggan reports. Page 31

Italians bask in the limelight



Italy, basking in a 12-day bull run, enjoyed a share of the limelight among world markets last week as investors, afraid of being left standing, scrambled to buy stock. Although it slipped back slightly yesterday, the Italian market gained a robust 4.3 per cent in local currency terms last week. Simon Greaves reports. Page 48

Guinness Mahon takeover move

The directors of Guinness Mahon, the London merchant banking group, are advising shareholders that it might be to their advantage not to accept the agreed takeover offer by Bank of Yokohama. The bank agreed to buy a 61 per cent stake in Guinness Mahon from the bank creditors of Equiticorp. But under the Takeover Code, it must also make an offer at the same price for the remaining shares. Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Didier-Werke	258	+	13	Intertech	1470	+	84.7
Henkel Pref	511	+	15	Lucheire	508	+	15.4
Metallgesell	455	+	15	**Falls**			
Siemens	563.5	+	21	CSEE	495	−	28.3
Falls				Scoa	77.1	−	5.1
Bilfinger	475	−	6	Total	493	−	23.8
Rheinelektra	1655	−	20	Via Banque	362	−	17.2
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
NWA	114¼	+	5⅝	Anzawa	2250	+	260
Sea Containers	72⅜	+	6¾	Takuma	1060	+	105
UAL	127¼	+	5½	Yamatake-Honey	3340	+	400
Union Carbide	28⅜	+	1⅝	**Falls**			
Falls				Sekisui Jushi	1080	−	90
Pan Am	3⅝	−	⅝	Tabai Espec	2160	−	230
Time	156½	−	9¼	Toshiba Steel	601	−	46

New York prices at 12.30

LONDON (Pence)							
Rises				P & O	636	+	7
Attwoods	498	+	27½	RHM	454	+	10
BAT	673	+	10	Reed Intl	414	+	12
BET	284	+	12	Rothmans	537	+	10
Beecham	637	+	9	Smith (David S)	327	+	14
Body Shop	665	+	20	Sun Life	998	+	25
Dalgety	369	+	10	THF	322	+	8
Dowty	291	+	5	Wickes	177	+	9
Enterprise	557	+	11	**Falls**			
Fisons	290	+	6	Creighton Labs	313	−	117
Hunting Assoc	555	+	87	Fobel	49	−	4
Kingfisher	303	+	7	Standard Chart	506	−	14
Land Secs	577	+	9				
Meyer Intl	384	+	8				

NWA accepts Checchi-led offer

By Roderick Oram in New York

NWA, parent of Northwest Airlines, the fourth-largest US carrier, agreed yesterday to a $3.65bn takeover offer from a group of investors led by Mr Alfred Checchi, a Los Angeles businessman, which includes KLM Royal Dutch Airlines and the finance arm of Elders IXL, the Australian group.

The Checchi investors, considered "totally friendly" by NWA's management, will begin soon a $121-a-share tender offer for the 95.1 per cent of NWA's stock they do not already own. The fight for control of NWA began when the company disclosed Mr Checchi's 4.9 per cent stake in late March.

"Our business plan is to strengthen the airline and build on its recent successful operating performance," Mr Checchi said. "Our financing plan has been designed to accommodate a programme of substantial growth."

If the offer succeeds, it would deal a damaging blow to Pan Am which was was offering to take over NWA to ensure the survival of its struggling Pan American World Airways subsidiary. Pan Am said it would "continue to review its options" and gave no indication of whether it would raise its bid. The value was not disclosed but was believed to be about $115 a share.

The market reacted positively to NWA's acceptance of the Checchi offer made through a vehicle called Wings Holdings. NWA's shares rose $6⅝ to $114¼, indicating that investors thought a counter bid unlikely. Pan Am's shares dropped $⅝ to $3⅝ and its bond issues plummeted some $5 to around $67-$70. Investors are deeply concerned about Pan Am's repeated failure to find a buyer or partner to help it out of its difficulties.

NWA's board said the Checchi offer had the highest value and least conditions of any. There was no immediate comment from other disappointed bidders such as Mr Marvin Davis, the Los Angeles investor, Northwest's machinists' union and Forstmann Little, a New York leveraged buyout firm.

NWA said it would offer its own recapitalisation plan if the Checchi group failed to consummate its deal by September 18. The plan would consist of a $70-a-share cash distribution to shareholders, a possible third-party equity investment in the company and adoption of anti-takeover measures. The special dividend and the residual value of the common shares would be worth $90 to $100 a share, NWA estimated.

Neither NWA or the Checchi group would disclose the scale of the KLM and Elders stakes. However, combined, they were believed to be less than 20 per cent of the investing group's $700m of equity. They would be barred by US airline laws from holding more than 25 per cent of the voting shares or having a significant degree of control over NWA.

In addition to the foreign members, the wings group includes Mr Checchi and his associates, several of whom are former employees of the Marriott hotel group, Bankers Trust and Richard C. Blum, a San Francisco merchant bank.

On top of the equity, Wings will also horrow $3.35bn from banks. Bankers Trust will lend $500m.

Hispano buys 5% of Commerzbank

By Peter Bruce in Madrid

BANCO HISPANO Americano, Spain's fourth-largest commercial bank, announced yesterday that it had agreed to buy 5 per cent of Commerzbank, West Germany's third-biggest bank.

The deal, expected to cost some DM150m ($74m), was finalised at the weekend in Monte Carlo, where Hispano's chairman, Mr Claudio Boada, and Mr Walter Sieep, chairman of Commerzbank, were holding scheduled talks with Banco di Credito di Roma and Credit Lyonnais. The four banks are members of Europartners, a loose banking consortium.

Commerzbank already owns 10 per cent of Hispano and in a joint statement in Monte Carlo, the two banks said the "cross-participation constitutes the basis for a further extension of our existing co-operation. With the perspective of a single European market, this intensified co-operation will focus on retail business, with medium-sized and small companies, as well as individuals."

Hispano has been anxious to come to an agreement with Commerzbank that would head off any possibility of the West Germans entering the Spanish retail market on their own. Under the Monte Carlo deal, the two banks will represent each other in their respective home countries.

The purchase is the second largest made by a Spanish bank in Europe in the last year. Last autumn, Banco Santander and the Royal Bank of Scotland bought 5 per cent of each other, and Santander has since increased its holding to 10 per cent.

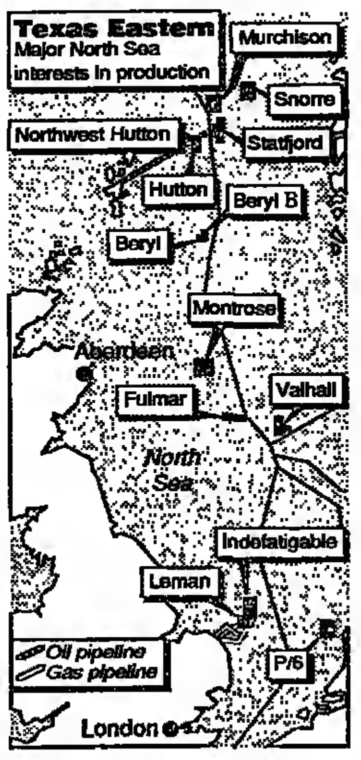
Both Santander and Royal Bank of Scotland have since agreed to support each other in a number of joint operations outside their respective countries, but it is not yet clear whether Hispano and Commerzbank will do the same.

Commerzbank bought its stake in Hispano in 1983, just before the Spanish bank ran into serious financial difficulties related to its rescue and attempted restructuring of Banco Urquijo.

Hispano failed to pay a 1984 dividend, but has since recovered strongly. Last year it sold off Banco Urquijo to the March group and also reported net profits of Pta27.9bn ($19m).

Enterprise Oil wins court battle

By Max Wilkinson in London



ENTERPRISE OIL, the UK independent exploration and production company, yesterday won a court battle to proceed with the acquisition of almost $1bn worth of North Sea Assets from Texas Eastern, the US oil and gas company.

Following an agreed deal between the two companies, worth a total of $1.4bn, British Gas and US oil company Amerada Hess sought to exercise pre-emption rights over some of the assets of Texas Eastern North Sea Incorporated (TENSI), resulting from partnerships in some North Sea fields. They claimed that the rights gave them first refusal to buy the Texas Eastern assets.

However, Mr Justice Evans ruled in the high court yesterday that the 1985 agreement on which British Gas and Amerada were relying could not be implemented in a way that was both fair and reasonably simple. The issue was brought to the high court at the request of Texas Eastern, which is anxious to complete the deal with Enterprise as soon as possible.

The pre-emption agreements were set up 25 years ago when British Gas was building up a portfolio of oil and gas assets in the North Sea.

They relate to partnerships with Amerada, Texas Eastern and Amoco, another US oil company. Amoco, however, opted not to exercise its pre-emption rights.

Six years ago, when British Gas was forced by the UK Government to divest its oil interests into a privatised company, now Enterprise Oil, there was some uncertainty over whether the pre-emption rights passed to the fledgling company.

Mr Justice Evans ruled yesterday that Enterprise did have pre-emption rights. He said the rights of all the parties could only be exercised fairly in proportion to their interests in the different assets of TENSI, weighted by value.

However, this complicated method of exercising the rights was not provided for in the original agreement, which appeared to envisage a negotiated settlement between the parties. He said that, in the absence of agreement, it would not be appropriate for the court to fix a method of apportioning the rights.

He therefore ruled that the pre-emption rights which British Gas and Amerada had sought to exercise were unenforceable, and that the deal with Enterprise could go ahead.

British Gas and Amerada must decide before Monday whether they wish to appeal.

The judgment was received with jubilation at Enterprise, for which the purchase of Texas Eastern North Sea and other assets was regarded as something of a coup.

The sale of $439m worth of Texas Eastern's non North Sea oil assets to Enterprise has already been completed.

Mr Graham Hearne, chief executive of Enterprise, said yesterday: "I am delighted that our arguments have been upheld. We look forward to completing the transaction as soon as possible."

British Gas said yesterday that it was studying the judgment before deciding whether to appeal.

Enterprise's share price closed at 557p, up 11p.

Bid defence hints lift Sea Containers

By Andrew Hill in London

UK GROUP Sea Containers' stock rose in New York yesterday, after Mr James Sherwood, president of the ferry and container group, suggested that his defence plans could realise between $70 and $100 a share

The Bermuda-registered group is fighting an $824m hostile bid from Stena, a private Swedish ferry operator, and Tiphook, the UK container rental company. The bid values each share at $50, compared with yesterday's price in New York of more than $72, up about $7.

Mr Sherwood added yesterday that Lazard Frères, the group's US merchant bank, had valued Sea Containers at about $2bn – or more than $120m a share – two years ago.

He also confirmed that he would reveal plans to rescue the group from the bid within a month. At the moment, the strongest possibilities are a recapitalisation of the company – including sales of peripheral assets – or a leveraged buy-out.

If the Stena/Tiphook bid is successful, the companies will split Sea Containers down the middle. Tiphook would buy the containers business for about $426m; Stena would get the rest for some $398m.

According to Mr Sherwood, Lazard Frères believed that the two halves of the business were worth $1bn each, taking into account the value of land at Sealink British Ferries' seven ports.

Shareholders in Tiphook yesterday approved the £235m ($361m) rights issue to fund the company's share of the deal.

Sherwood's defence, Page 28

Y.K. Pao sells 10% stake in Standard

By David Lascelles, Banking Editor in London

SIR Y.K. PAO, the Hong Kong shipping magnate and one of Standard Chartered's "white squires," sold his 10 per cent stake in the UK international banking group yesterday.

The shares were widely placed among institutions in the market by Cazenove, the City of London stockbrokers, at a price believed to be 495p per share, which would imply a substantial loss for Sir Y.K.

The sale marks a further retreat by the three squires who rode to Standard's rescue in the summer of 1986 when it was under takeover siege by Lloyds Bank. Between them, the squires amassed nearly 40 per cent. But having thwarted Lloyds, their long-term interest in the bank was never clear.

First to go was Mr Robert Holmes à Court, the Australian entrepreneur, who had 14.9 per cent.

After his Bell Group ran into difficulty last year, his stake passed to Mr Alan Bond who sold out last November.

Sir Y.K. Pao reduced his stake from 14.9 per cent to just under 10 per cent last year by declining to participate in a rights issue. He subsequently divided the holding among two daughters, and stepped down as vice-chairman of Standard Chartered.

Tan Sri Khoo Teck Puat, the Malaysian businessman, still has about 5 per cent.

Sir Y.K.'s original investment, which was made when the price was at the peak of takeover speculation, is believed to have cost him £180m ($270m). At yesterday's price, he would have received about £113m for the stake, implying a loss of £67m.

However, Standard's shares have performed quite strongly since last year's rights issue, and the view in the market yesterday was that Sir Y.K. decided to take advantage of that.

The rights issue was done at 400p. Last night the shares closed at 506p, down 14p.

Standard Chartered declined to comment on the sale. But the retreat of the white squires and the dispersal of their stakes among investment institutions will be a relief for the banking group's new management under its chairman, Mr Rodney Galpin.

This removes a large source of uncertainty for the group which is trying to recover from the upheavals and losses which followed the takeover attempt.

Mr Galpin is currently preparing a new strategic plan

BET lifts profits 25% to £270m

By John Thornhill in London

IMPROVED efficiencies, buoyant trading conditions and 85 acquisitions helped BET, the international services group, record a 25 per cent increase in pre-tax profits to £270.6m ($419m) in the year to April 1.

This result, which was at the top end of City expectations, was greeted by a 12p rise in BET's share price to 284p.

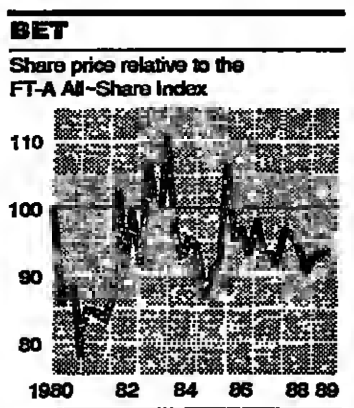
BET which has diversified interests, ranging from supplying hand towels and industrial cranes to managing hotel chains in Malawi, increased its revenues to £2.22bn (£2.13bn).

Yesterday, the company also signalled a change in its dividend policy. For the last six years, BET has increased its dividend by 1p a year. But this time, the final dividend of 8p will lift the total to 11.5p (10p).

Mr John Griffiths, finance director, said it was now the company's intention to raise the dividend in line with earnings growth.

In 1988-89, earnings per share worked out at 25.5p (22.1p), an increase of 15.4 per cent.

BET continued to realign its businesses during the year and made 85 acquisitions at a cost of about £304m – £300m of which was written off as goodwill. These acquisitions accounted for about half of the increase in operating profits from continuing operations, which rose by 36 per cent to £275m (£201.9m).



About £380m was raised by the disposal of peripheral businesses, including Argus press for £206m. Disposals also accounted for an extraordinary credit of £51m (£60m).

BET raised £95m in March through the issue of US preference shares and this helped to reduce net borrowings from £263m to £98m. At the year end gearing stood at 18 per cent.

UK operations contributed more than three-quarters of the trading profits. The 54 acquisitions made during the year helped to boost profits to £212.7m (£160.3m), a 33 per cent rise.

Operating profits from continental European activities advanced to £24.1m (£15.7m). A series of 13 acquisitions was made at a cost of about £50m to bolster BET's waste collection, plant hire and distribution businesses.

North American operations – strengthened by 16 purchases – more than doubled their contribution to £18m (£8.2m).

Revenue from other geographical areas fell from £150.2 to £139.8m, although trading profits advanced by 14 per cent to £20.2m (£17.7m).

Discontinued operations contributed £16m to profits and BET's 28 per cent staka in Thames Television yielded £9m.

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Housing slump checks Hambros

By David Lascelles, Banking Editor, in London

HAMBROS, the London-based financial services group, reported a small increase in earnings for its latest financial year yesterday as the slump in the housing market offset gains in other parts of the group.

Profits before tax, minorities and extraordinary items were £70.2m ($108.8m), up from £69.4m, in the year to March 31. Earnings per share were up 11 per cent to 25.3p from 24.8p.

The problem area was estate agency, where Hambros owns 60 per cent of Hambro Countrywide, one of the UK's largest agency chains. Profits before tax were £22m, down from £24.9m.

Mr Christopher Sporborg, the chief executive of Hambros' non-banking side, said the rise in UK interest rates had sharply reduced activity in what was a volume-driven business. Hambro Countrywide currently had 70,000 unsold houses on its books, compared with 22,000 at the end of the previous financial year.

One encouraging sign was a growth in the number of estate agency customers who were using other financial services offered by Hambros through these offices. The "conversion" rate of customers had risen from 30 per cent in 1986 to more than 50 per cent now. Half of Countrywide's income now stemmed from financial services.

Among other non-banking services, insurance broking earned £4.5m (up from £3.6m), loss adjusting £1m (down from £2.9m), property £2.6m)£1.7m), security consultancy £0.8m (£0.3m). Investment results were £15.7m, up from £11.1m.

Hambros' traditional merchant banking activities showed results that were little changed. Pre-tax profits were £36.8m, up from £36.7m. Although the corporate finance side did well, there was a falling contribution from treasury and capital markets, partly because of costs associated with moving the dealing room to the group's new headquarters.

The group's European mergers and acquisitions network, in which Hambros has an alliance with six continental banks, earned £1m in fees last year, according to Mr Chips Keswick, the chief executive of banking, and was now making a profit.

The final dividend is 6.7p, making a total for the year of 10p, an increase of 11 per cent.

The group's reserves rose by one third to £279m. The acquisition of the outstanding 73 per cent of Hambros Investment Trust has put at its disposal £81m of new capital, which is being invested in the banking side.

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Time plans to avoid asset sales in Warner purchase

By James Buchan in New York

TIME, the US publishing and broadcasting group, says it will try to finance its friendly takeover of similar-sized broadcasting and entertainment group Warner Communications without selling any of its businesses.

The announcement, which was made in a statutory filing published yesterday in Washington, comes as the two companies prepare to defend their proposed merger in the courts.

Paramount Communications, the former Gulf + Western entertainment group, is expected to sue to block the merger and gain e hearing for its own $10.7bn offer for Time.

Last Friday, Time began a $7bn tender offer for half of Warner's shares and intends to buy the remainder with a mixture of cash and securities later on.

In its filing with the Securities and Exchange Commission, which became public yesterday, Time said it wanted to structure the financing of its tender offer so that the indebtedness may be repaid or refinanced without asset sales. But the company cautioned that it could give no assurance that asset sales would not be necessary.

Wall Street received the Time announcement with some scepticism. If the merger succeeds, Time-Warner will be highly indebted and may need cash from asset sales to invest in its businesses, which range from feature films through magazines and records to pay-television.

But Time said that Warner had estimated its after-tax profits for 1989 at around $475m, or $2.68 a share, after merger expenses. They could be as high as $530m or $2.99 a share, Time continued.

In addition, Time said in a filing that a "senior officer" of Warner had predicted operating income, which is reported before taxes and interest, of $1bn in 1990. This would be 37 per cent higher than the budget for 1989.

NatSemi $23m in loss for year

By Louise Kehoe in San Francisco

NATIONAL Semiconductor, the Silicon Valley chip manufacturer, unveiled operating losses of $98.3m yesterday for the fourth quarter ending May 28, after shedding most of its computer operations, compared with operating income of $23.1m for the same period last year.

However, the group is forecasting a marked improvement in the coming year. Indeed, it lifted net earnings for the quarter to $77.1m, or 73 cents per share, compared with $22.4m or 18 cents per share in the fourth quarter last year.

Sales from continuing operations were down slightly to $419.1m from $421.7m in the same period a year ago.

During the quarter, National Semi sold its mainframe computer subsidiary, Netional Advanced Systems, to a joint venture formed by Hitachi of Japan and Electronic Data Systems, the US computer services company. This brought the company a post-tax gain of $174.9m.

It also took a one-time charge of $45.1m against fourth quarter earnings, related to the consolidation of its businesses in the US and Asia.

The company reported a net loss of $23.2m, or 32 cents per share, for the year, compared with net earnings of $62.7m or 48 cents in fiscal 1988. Sales from continuing operations for fiscal 1989 were $1.65bn, up from $1.43bn in the previous year.

Results for both years were restated to reflect the fourth quarter sale of Netional Advanced Systems, and the third quarter sale of Datachecker Systems, which manufactures retail point of sale computer systems, to ICL of the UK.

"The fourth quarter showed marked improvement for National Semiconductor," said Mr Charles Sporck, National Semi's president and chief executive.

"During the past quarter we have identified the final restructuring activity necessary to remedy the problems in our performance and to position the company for a return to sustained profitability," he said.

"We expect to see a marked improvement in performance in the first quarter, and e return to profitability in the second quarter of fiscal 1990."

Computer Associates to acquire Cullinet

By Karen Zagor in New York

COMPUTER Associates, the world's biggest independent software company, said yesterday that it was to acquire Cullinet, a smaller mainframe computer program supplier, for $333m in stock.

Under the terms of the friendly takeover, Cullinet shareholders will receive half a share in Computer Associates for each of the 33m Cullinet shares outstanding. This amounts to about $10.10 per Cullinet share, based on Friday's closing prices for Computer Associates stock on the New York Stock Exchange.

Computer Associates, based in Garden City, New York, said that the transection would be accounted for as e pooling of interests and treated as e tax-free exchange to Cullinet shareholders.

Assuming that the agreement gets shareholder and regulatory approval, it is expected to be consummated in August. Both companies' boards have approved the deal.

Cullinet, which reported 10 consecutive quarterly losses before posting third quarter profits at the end of January, yesterday reported a further profit for the fourth quarter.

Net income for the period ended April 30 was $2.2m or 7 cents a share, compared with a loss of $20.5m or 63 cents the previous year on revenues which fell to $59.3m from $64.8m a year earlier.

Analysts attributed the company's third and fourth quarter gains to e 10 per cent staff cut and other operating reductions at the end of January.

Canadian deregulation takes shape

David Owen finds banks keen to see reforms planned for four years

The much-delayed final phase of Canada's reform package for federally regulated financial institutions is taking shape in the sober corridors of the Finance Ministry.

Mr Gilles Loiselle, the junior minister charged with formulating and implementing the package, has promised draft legislation pertaining to banks and trust companies (near-banks based on home mortgage and fiduciary business) by the end of this month. Insurance industry legislation is planned to follow "in short order."

The laws will detail the extent to which these three hitherto distinct types of institution will be able to encroach upon each other's turf, and whether or not restrictions will be placed on the ownership of financial groups by commercial entities.

The reform aims to enable Canadian financial groups to restructure to remain competitive globally, and to provide consumers with one-stop shopping for a broader range of services.

The legislation will complete the process started in June 1987, when the barriers preventing banks and others from entering the securities business were removed. However, it will do nothing to simplify Canada's chaotic and unwieldy jurisdictional morass.

Currently, banks are the only financial institutions to fall unequivocally under Ottawa's control. Insurers and trust companies are covered by federal and provincial rules, while the securities industry is still an exclusively provincial preserve.

Regardless of where Mr Loiselle chooses to draw the lines, the draft legislation is sorely needed. While Ottawa has fiddled for four years, attempting to formulate laws to reflect "the reality of a rapidly changing financial sector," corporate strategies have burned, unable to plan ahead without knowing what the new laws would be.

Some have taken advantage of the faster pace of provincial deregulation, particularly in French-speaking Quebec, to try to force Ottawa's hand. Others have launched initiatives which appear to stretch the interpretation of existing laws to its limit and to blur further the distinctions between the three so-called "pillars" of the Canadian financial services industry.

All are lobbying in a last-ditch effort to bend the Government's ear.

The most animated sector of debate is insurance, in which banks are desperate for permission to sell policies through their extensive branch networks, much to the chagrin of Canada's 19,000-strong community of insurance brokers.

Having marketed insurance in a limited way for some time, by selling creditor insurance to consumer borrowers, two Canadian banks – Toronto-Dominion and Bank of Nova Scotia – have become more involved by initiating marketing ventures in property insurance with specific general insurance companies. A House of Commons finance committee is investigating the legality of these arrangements.

The banks argue that their reduced administrative costs could save consumers up to 15 per cent on certain insurance policies. Such claims have been reinforced by a Public Interest Research Centre study, which estimated potential savings at between 9 and 23 per cent.

The banks maintain that they need access to insurance to compensate for the inroads trust companies and credit unions have made into their traditional business, particularly consumer deposit-taking and lending.

They tell brokers that their only interest is in selling simple insurance products, and cite Britain and Australia as places that show that the market is big enough to handle both marketing methods.

"If you try to stand in front of the steamroller of change, you will certainly become part of the road," Mr Robert Korthals, Toronto-Dominion president, informed the Insurance Brokers Association of British Columbia.

The brokers argue that selling insurance through bank branches would be detrimental to consumer interests, since the customer would typically only be offered the products of one company rather than the wide range carried by the average broker. They fear that borrowers may feel coerced into accepting the insurance offered by their bank. Finally, they doubt that banks will be able to sell insurance as cheaply as they say they can, and make a profit.

"We don't see that the banks would be able to sell insurance any cheaper than brokers, although they could treat it as a loss leader for a time," says Mr Basil Steggles, general manager of the Insurance Brokers Association of Canada.

The stakes are high. Canadians, a proverbially prudent lot, are said to be the most heavily insured people in the world. Brokers and agents last year generated C$11.7bn (US$9.75bn) in property and casualty insurance premiums alone.

The brokers are expected to emerge the happier when Mr Loiselle's draft legislation finally proves. The minister indicated last month that his new rules would "not allow the banks to retail insurance."

However, the banks are widely expected to get permission to own insurance companies and to market policies to their credit card holders.

In a controversial move this year, the Government set a precedent by approving a foreign bank licence for American Express while allowing the company to continue to operate its travel and insurance businesses.

Ottawa considers third class of bank

CANADA'S Federal Government is considering creating a third class of banks which could be owned by commercial interests and non-bank institutions to resolve the problem of ownership, writes Robert Gibbens in Montreal.

At present, Schedule A banks - the six large chartered banks - are subject to a 10 per cent ownership limit; Schedule B banks - foreign-owned banks - have no ownership limits.

Mr Gilles Loiselle, Minister of State for Finance, maintains that creating a new class, Schedule C banks, would help to keep the financial sector "vibrant and sound."

It is thought that the Government would allow any company from life insurers to the captive car sales financing companies to own a Schedule C bank, provided the capital and other federal guidelines were met.

Trust companies could convert into Schedule C banks, and conglomerates such as Imasco and Power Corporation of Canada could own Schedule C banks.

The new class would enable the Government to leave the chartered banks undisturbed. These account for nearly 90 per cent of the industry, but trust companies (near-banks) and other institutions have been operating more like chartered banks but without the same ownership restrictions.

The chartered banks are suspicious of the C bank idea, saying that the Government would be serving the interests solely of commercial groups wanting to own banks.

INTERNATIONAL COMPANIES AND FINANCE

St-Gobain 'ready for Europe bar the fine-tuning'

By Andrew Baxter

EUROPE and 1992 may be banned words in Downing Street this week after Mrs Thatcher's electoral drubbing, but not for Mr Jean-Louis Beffa and Saint-Gobain, the French glass, industrial ceramics and building materials group.

Mr Beffa, chairman and chief executive of the acquisitive group which was nationalised in 1982 and returned to the private sector four years later, was in confident mood in London yesterday as he talked about the group's prospects for 1989 and its positioning for the European Community's internal market changes in 1992.

"As a group we are totally prepared for the Europe of 1993," he said. "Europe for us is already 'done.' Wa only have to fine-tune our installations here."

Mr Beffa said he did not subscribe to the commonly-held view that the main beneficiaries of the 1992 changes would be companies entering the European market from outside. St-Gobain's presence across Europe would enable it to decide which of its businesses would require a pan-European approach, and which should better be handled on a national basis because of local differences in product ranges.

Mr Beffa cited the roof tile business as one where national differences, and even differences within national markets, would continue, although some local variations would slowly melt away.

The global approach to many other European product lines, for example, flat glass, St-Gobain's largest division, would require the company to move from a more federal approach towards continuing internationalisation of management teams, and greater movement of senior personnel between divisions and head office. "The division managers are too French, and we must have more non-French going to France and taking responsibility. It will take time to integrate things."

Mr Beffa expressed confidence thet transport costs would fall after the 1992 changes, giving greater scope for shipping products across Europe.

Transport costs in Europe were on average double those of the US because of regulation, leading to lost time at borders, for example.

Jean-Louis Beffa: confident

In the case of the UK, the Channel Tunnel, or the increased competition arising from it, would also reduce transport costs. St-Gobain is planning "significant new investments" in Stanton, its UK pipeline systems company, and sees considerable opportunities from the need for sewer replacement in the UK.

Mr Beffa said St-Gobain looks on Europe as the basis for its international expansion strategy.

The company has already spent FFr4bn ($592m) on acquisitions this year, and has two major challenges, boosting its sales in the US from the current 14 per cent of the total (FFr58.9bn last year) to 20 per cent, and strengthening its presence in Asia.

Solvay seeks to shed its boring image

Peter Marsh on a Belgian chemicals group's efforts to move into new products

Solvay, Belgium's biggest chemicals company and the 12th largest in Europe, is among the continent's most grand and venerable manufacturing enterprises. It also has the reputation of being dowdy and dull.

Baron Daniel Janssen, Solvay's aimiable yet highly forceful chairman, thinks the image is wholly unjustified and points to a series of recent events to support his case.

Baron Janssen is a great-grandson of Ernest Solvay, the Belgian inventor who founded Solvay in 1863. With three academic qualifications – degrees in nuclear physics and civil engineering plus a Masters in Business Administration from Harvard University – he is also among the most broadly educated of the world's chemicals bosses.

The 53-year-old baron, whose brother is head of Générale de Banque, Belgium's biggest bank, is a member of one of the country's most powerful families, which owns some 50 per cent of Solvay's stock.

The company's aristocratic image is reinforced by its board structure. Besides Baron Janssen the directors include a further baron, two viscounts, a count and a British peer, Lord Ezra, the former British Coal Board chief.

The idea that Solvay is boring is connected with its history. It started life as a maker of alkali products, well-established materials which are based on inorganic salts.

These substances have for almost all Solvay's existence formed easily its most important business division. It is the world's biggest producer of a specific alkali chemical called soda-ash, which is widely used in glassmaking and detergents.

Alkali products are highly important in many areas of manufactnring hnt their growth is near static and the materials are thought to be highly unexciting. More to the point, many onlookers take the company's dependence on alkali products as an indication of its exposure to the commodity, cyclical end of the chemicals hnsiness which could well be hit if there were a downturn in the world economy over the next few years. Baron Janssen is keen, however, to portray Solvay as being much more than a producer of old-fashioned materials run by a bunch of toffs.

The malllfluously spoken chairman insists that many observers have an outdated view of Solvay and that they simply do not know about the changes that have taken place in recent years.

A case in point, he says, is that last year alkalis was for the first time displaced as Solvay's biggest commercial division. The materials accounted for 31 per cent of Solvay's BFr253bn ($6.9bn) sales in 1988, 1 per cent behind plastics.

Solvay moved into plastics in the 1950s and is now among the world's top producers in two commodity plastics, polyvinyl chloride (PVC) and polyethylene, as well as being a significant producer of polypropylene. In PVC, Baron Janssen says the company has aimed its marketing at higher-value areas of this business, in production of specialist grades for window frames, for instance, and is poised for significant further growth.

Even within the generally moribund alkalis sector, there are some highlights, as Baron Janssen stresses. The Belgian company is among the leaders in production of barium and strontinm salts used in the manufacture of TV tubes, a relatively fast growing area.

Baron Daniel Janssen: aiming at higher value areas

The Solvay head also is keen to highlight the strides made by the company in two other important areas, peroxygen chemicals and pharmacenticals. In peroxygen products, which include hydrogen peroxide used in bleaching and perborates used in washing powder, Solvay is a 50 per cent owner of interox, the world's biggest maker of these materials. The other partner is Laporte, a UK chemicals group in which Solvay has a 25 per cent stake.

Sales of Interox have been growing comfortably, largely due to the good demand for hydrogen peroxide, which is environmentally less troublesome than many other hleaching agents based on chlorine.

As for pharmaceuticals, Solvay was a relatively latecomer, starting to build np in this field only in the 1970s. "Ten years ago health care accounted for just 4 per cent of our sales. Now the figure is 12 per cent and we are growing in this field at 20 per cent a year. That's not bad by any standards," says Baron Janssen.

Solvay is unusnal among many big plastics producers in not having its own supplies of ethylene, an oil-derived gas which is a vital feedstock for polyethylene and many other similar materials. Instead, the company has to huy the feedstock from other chemicals companies.

In the past two years, in which the price of ethylene has risen markedly in response to the generally high demand for industrial chemicals, Solvay has suffered by having to pay high prices for its ethylene – a factor which has undoubtedly had a negative effect on earnings. Even so, however, the company recently unveiled net income for 1988 of BFr15bn, a 24 per cent rise on the previous year.

The baron says, moreoever, he does not regret that Solvay sold off its last ethylene plant some years ago. Although ethylene production is now highly profitable, he says it may well slip into losses in a future downturn in the chemicals business. "I am delighted we got out of ethylene," says Baron Janssen.The Solvay head becomes aggrieved when the subject turns to the raids European Commission inspectors launched recently on Solvay offices as part of a pan-European investigation into possible market rigging in the soda-ash industry. "We are still waiting for the inspectors to say what they think we have done," says Baron Janssen. He vehemently denies that Solvay has colluded with other soda-ash suppliers to fix markets or prices in the industry.

As for Solvay's future, observers find it difficult to shake off their thoughts about the company's exposure to fluctuations in the world economy and its apparent dependence on commodity materials. These thoughts, more than anything else, explain why Solvay's share price has underperformed many other industry stocks over the past few years, despite the company's quite reasonable earnings growth.

When faced with this point of view, the Solvay head says – extremely politely and almost with a sense of disbelief – that the company is in a much better position than people think to weather any bad conditions in the industry. "We are making a serious effort to tell people about Solvay. We will have to do more."

Rauma-Repola reports good start to year

By Our Financial Staff

RAUMA-REPOLA, the Finnish engineering, paper and shipbuilding concern, has reported a 47 per cent rise in pre-tax profit to FM282m ($68.5m) for the first four months of this year from FM192m for the same period in 1988.

Consolidated net sales increased 45 per cent to FM3.81bn from FM2.62bn .

Rauma-Repola expected the favourable trend to continne this year, bettering last year's results. The company predicted sales would increase 24 per cent to about FM12bn, compared with FM9.72bn in 1988.

Under international accounting standards, Rauma-Repola said profit rose 21 per cent in the latest four-month period to FM298m from FM246m.

In the engineering division, sales increased 38 per cent to FM1.12hn during the four-month period from FM811m in the same time last year. The company called prospects for the division encouraging and said it expects increased profitability for the full year after a recent reorganisation.

However, the pulp and paper division-s profitability might be aversely affected by sharp increases in timber prices, Rauma-Repola said. The four-month sales slipped 15 per cent to FM732m from FM857m .

Sales in the packaging division jumped 69 per cent to FM693m from FM410m.

The shipbuilding and marine technology side made a strong comeback after a recession, pushing net sales up 414 per cent to FM545m from FM106m .

Henninger in talks to sell Greek holding

HENNINGER-BRAU, a West German brewer, said its 25.9 per cent stake in the Greek brewer, Henninger Hellas, is up for sale in negotiations with BSN, the acquisitive French food and brewing group, AP-DJ reports.

The Frankfurt-based brewery said negotiations with BSN were taking place and that it expects a deal to be completed by mid-July. BSN said last week it had agreed to acquire a controlling interest in the Greek brewer for an undisclosed amount.

Henninger-Bräu said most of the remaining three-quarters of Henninger Hellas was currently held by a group of Greek banks. It said it was "possible" that Henniger-Bräu would sell its entire stake in the current negotiations.

Pan-European airline takes off

By Lynton McLain

MR HARRY GOODMAN, chairman of International Leisure Group (ILG), has formally launched Airlines of Europe, a federation of five European airlines, with a forecast that its fares will be 30 to 40 per cent lower than those of larger competing airlines by 1992.

Airlines of Europe is the first pan-European airline and has been formed in readiness for the liberalisation of European civil aviation with the formation of the single European market in 1992.

It is currently owned 100 per cent by ILG, which also owns Air Europe, a UK holiday charter and scheduled airline with more than 50 aircraft which carries 6.5m passengers a year.

The ILG holding is to be progressively diluted and acquired by the other member airlines which will make up Airlines of Europe, leaving ILG with 51 per cent of the equity in the new airline.

ILG has taken stakes in four other European airlines, the latest being Italian Air Europe SpA, in which it has a third of the shares. The other airlines are Air Europa of Spain; Norway Airlines of Scandinavia and Nurnberger Flugdienst, of West Germany.

The airlines will operate to common standards laid down by Airlines of Europe and based on ILG's own airline standards in Air Europe, but they will have autonomy under the Airlines of Europe board of directors.

Mr Goodman said Air Europe had 73 more aircraft on order. He forecast that Airlines of Europe would carry about 20m passengers by 1993.

CMI sees tripled profits

By Jim Jones in Johannesburg

CONSOLIDATED Metallurgical Industries (CMI), the South African ferrochrome manufacturer, expects that it will more than treble its pre-tax profit in the year to June 30, as export prices have risen strongly.

In a preliminary statement, the company estimates the year's pre-tax profit at R176.3m ($63.7m), against the previous year's R56.3m. Earnings are forecast to rise to 236.2 cents a share, from 89.2 cents, and the year's dividend is to be raised to 115 cents, from 65 cents.

Mr Michael Hawarden, managing director, says record world stainless steel production increased demand for ferrochrome sharply, allowing CMI to raise its dollar export prices by 38.5 per cent. He expects demand to remain strong during the coming year, but cautions that increased availability could affect ferrochrome prices.

Most South African ferrochrome manufacturers are increasing their capacity. CMI is itself raising annual capacity to 200,000 tonnes, from 150,000 tonnes.

INTERNATIONAL COMPANIES AND FINANCE

Sleek powerlords of the autobahn

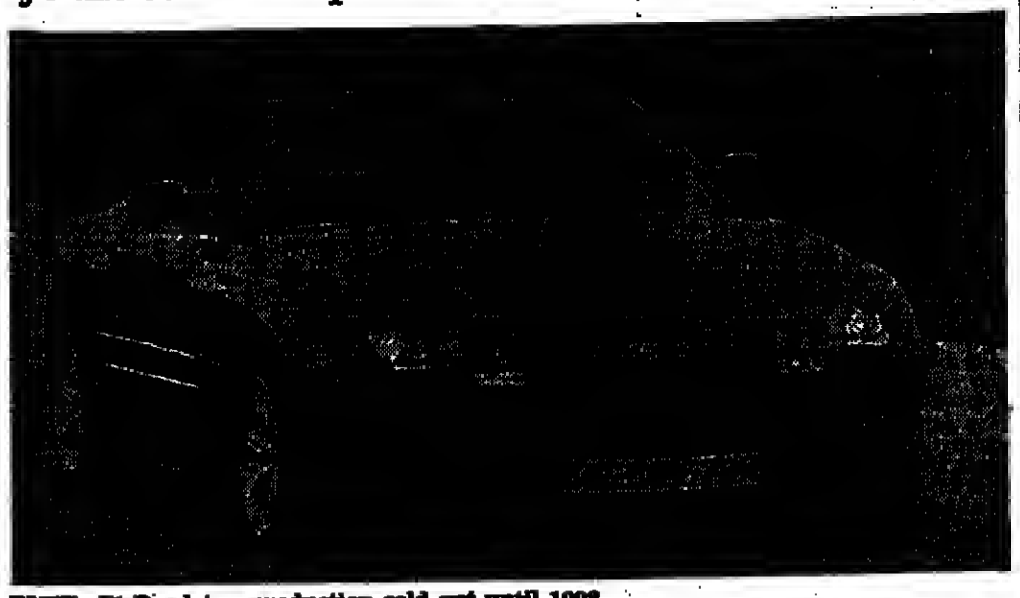
Andrew Hill surveys the seductive power of West German sports cars

Tucked in behind the wheel of a low-slung Porsche 911 Carrera 4 – totally revamped under the hood but preserving the classic shape that has kept its allure over 25 years – you become a changed person, enjoying the smoothly authoritative surge of power that enables you to leave most other cars standing without the fear of losing control.

Even driving cautiously around the block in BMW's snazzy, and extremely pricey, Z-1 Roadster, you gain some idea of what makes these sleek aristocrats of the road so seductive for the driver with a yen for speed and glamour and a bank account to match. The Porsche model, easier to handle than earlier 911s, costs DM114,500 ($69,500 in the US), while the Z-1 will set you back DM85,000.

Compared with the overall market, sales of sports cars are tiny in Germany – around 25,000 last year out of total new registrations of 2.8m. Clearly, for most people, such an automobile is no more than a dream, although Volkswagen with its new Corrado (DM43,600) and Japanese makers like Toyota and Mazda cater increasingly for the less rarefied end of this market. Honda, on the other hand, plans to invade the higher-priced sector with its forthcoming NS-X.

A successful sports model can have a powerful image-enhancing effect. For BMW, however, with its highly successful 7- and 5-series limousines and its sportier 3-series, the impact of the Z-1 is hardly a matter of commercial life and death. Only six are made each day, though production is sold out until 1992.



BMW's Z1 Roadster: production sold out until 1992

Yet for companies like Porsche or Daimler-Benz, the success of their new cars is vital. Porsche, for many aficionados the sports car company *par excellence*, is still independent, unlike such marques as Lamborghini, Ferrari, or Lotus. But its troubles in the US after the dollar's slide and the 1987 stock market crash mean it is dependent on its new models gaining a strong hold on customers.

Daimler, with a much broader model range, is clearly less bound to the success of its latest SL Roadster. It is going on sale in Germany later this summer (from DM89,500) and in the US, is expected to take over half of the annual 20,000 SL production, at the end of the year.

Based like Porsche in Stuttgart, Daimler's problem is that it has been left behind to some extent in the quality car market by BMW, further south in Munich. Its S-class models at the top of the range have a somewhat tired look. Hence the significance of the elegant new two-seat Roadster, the first in the group's new upmarket range; it will be followed by the S-class limousines next year. Like the latest Porsche and BMW sports models, the SL Roadster serves as a technology showcase for Daimler's carmaking expertise.

Who, apart from wealthy car freaks, drives these sorts of cars? Plenty of prosperous drivers, young or old, would not think of buying a high-powered sports car, for fear of inciting envy, or appearing too showy.

Daimler's own literature gives a clue. "The new Mercedes-Benz SL offers fascinating motoring in the pure form only possible with a sports car," it coos. In other words, a luxury sports car offers something extra, with the functional business of getting from A to B in comfort as important as, or subordinated to, the feeling of pride and excitement that comes from owning a car that looks, feels, and drives differently.

Thus it is not only performance that counts. "For many people, the aspects of sport and luxury are a dichotomy," says Mr Hans Halbach, Porsche's marketing director. "They tend to think sports cars have got to be like those of 20 years ago."

But times have changed. "Today, sports car drivers want a car which also includes functional luxury." Thus the latest Porsches have air-conditioning, and not just for the US. Because of population trends, Mr Halbach adds, the average age of a Porsche customer is now 44 compared with 38 in the early 1980s. This, combined with overall advances in car design, means they expect to be able to drive more quietly and smoothly and are less eager, he insists, to drive at dare-devil speeds.

After its US debacle, Porsche invested heavily in upgrading its cars. It dropped the cheaper 924 model to regain its image of exclusivity. In Germany, the cheapest Porsche is now the basic 944 at DM63,000. It has reined back total output and is raising supply of the new models gradually to ensure top quality.

"We want to produce fewer cars than we can sell," remarks Mr Halbach. It is also reducing its dependence on the vital US market from over 60 per cent when its sales slumped to less than 50 per cent. In Germany, it aims to sell around 8,000 cars (a quarter of production) this year against 7,000 or so in 1988, seeing a potential level of 10,000.

People in Germany are more willing to spend money on such indulgences as a luxury sports car, reckons the Porsche director. Many Ferraris are not even driven in the winter, but kept in the garage like a diamond in the vault.

To the average driver, all this is remote from reality. Even so, in one of the world's most car-minded countries, people are more willing to let cars show their status and wealth. It helps, of course, to have long stretches of autobahn without speed limits.

Ascoli steps nearer to Repubblica acquisition

By Alan Friedman in Milan

CARTIERA DI Ascoli, the publicly quoted paper manufacturing subsidiary of Italy's Mondadori publishing group, yesterday approved a change in its corporate statute. This could pave the way for the acquisition and eventual stockmarket quotation of la Repubblica, the popular Rome daily newspaper that is controlled by Mondadori.

Mondadori, which owns 90 per cent of Ascoli, is to pay a total sum of more than $500m to acquire 100 per cent control of L'Espresso, the publisher that owns part of la Repubblica. The payment will be made later this year in both cash and Ascoli shares. Ascoli had 1988 turnover of around L200bn ($139m).

The quotation of la Repubblica, which Mondadori executives predict will take place sometime next year, could come about by transferring ownership of the paper from Mondadori-Espresso into Ascoli, changing Ascoli's name and using the existing listing on the Milan bourse.

Alternatively the Rome-based newspaper could be quoted on its own or by using a L200bn bond issue for la Repubblica that is being issued next month and which carries warrants enabling the sale of 20 per cent of the newspaper's equity.

On a separate issue, Mr Emilio Fossati, managing director of Mondadori, noted yesterday that the Milan-based publisher could be interested in eventually acquiring the European book club assets of Time, the US publishing group that is currently involved in a complex corporate battle in the US.

● Kolbenschmidt is to form a joint holding company with Italy's Piaggio Pro Ind to make water and oil pumps and other car parts.

The West German car-parts maker will own 50 per cent of the joint venture.

Premier to sell SAB holding and raise R280m in rights

By Jim Jones in Johannesburg

PREMIER GROUP, one of South Africa's largest diversified food groups, is to restructure itself by hiving off its 33.8 per cent interest in South African Breweries (SAB) and by raising about R280m ($99.8m) through a rights issue of ordinary shares.

Premier acquired the SAB interest in 1984, as part of the transaction in which Associated British Foods divested and sold control of Premier to the Anglo American group.

In Johannesburg yesterday, Mr Peter Wrighton, Premier's chairman, said the restructuring would allow investors to assess properly the worth of the group's so-called "core" interests – food, pharmaceuticals, entertainment and consumer wholesale/retail.

In the last financial year, they alone generated a turnover of R4.15 bn, a pre-tax profit of R218.7m and attributable, taxed earnings of R92.3m. SAB contributed an additional R175.2m of equity-accounted earnings, representing about 65 per cent of Premier's total attributable earnings.

Mr Wrighton says the rights issue will allow Premier to reduce its borrowings and give it the borrowing capacity needed for further business development.

Industry analysts believe Premier is positioning itself to make new acquisitions as foreign firms divest.

The SAB interest will be transfered to a new holding company, which has still to be named and which will be listed on the Johannesburg Stock Exchange. Premier's present shareholders will be given one share in the new SAB holding company for each Premier share they own.

Terms of the rights issue are to be disclosed on July 24, but shareholders will be offered additional shares in the SAB holding company in proportion to the rights they take up.

Gencor's R1.47bn issue terms unveiled

By Jim Jones

GENCOR, Sonth Africa's second-largest mining house, has disclosed the terms of its planned R1.47bn ($524m) rights issue.

Holders of the group's ordinary and convertible preference shares and the gronp's coovertible debentures are being offered 20 new ordinary shares at a price of R75 each for every 100 capital units (shares or debentures) they hold.

Federale Mynbou (Fedmyn), Gencor's controlling shareholder, is to follow its rights offer and plans to do so by raising R828m with a 22-for-100 rights issue of ordinary shares to share and debenture holders at a price of R65 each.

Sanlam, the insurance company which controls Fedmyn, says it will follow its rights offer at a cost of about R426m and that Sankorp, its wholly-owned subsidiary, will underwrite the issue.

Following the rights issue, Gencor and Fedmyn will split their shares and debentures on a 10-for-one basis.

The Gencor group is engaged in several large mining, energy and metals developments. Samancor, its ferro-alloys subsidiary, is planning to establish a stainless steel plant as a joint venture with Highveld Steel & Vanadium.

The group will need to finance an oil-from-shale venture and participation in offshore gas developments within the next two or three years. In the Orange Free State, the group is developing the new Oryx gold mine, and in the western Transvaal, Impala Platinum is developing its new Karee mine.

Dainippon Ink pays Pta2.7bn for Prisma

By Our Financial Staff

DAINIPPON INK and Chemicals has acquired 100 per cent of Prisma, Spain's second-largest ink-maker, for Pta2.7bn ($21m), through its wholly-owned New Jersey subsidiary Sun Chemical.

Prisma, which is based in Bilbao, has plants in Madrid, Barcelona and Bilbao, as well as a Portuguese plant in Porto.

Dainippon Ink has made several acquisitions in the US and West Germany over the past three years, taking control of plants in the US, Britain, West Germany, France, Switzerland, Italy, Sweden and other European countries.

Dainippon Ink, which earlier this year reported a 26.5 per cent increase in pre-tax profits to the end of March, to Y18.3bn ($126m), from Y14.5bn in the year ending in March 1988, on sales of Y440.7bn, up from Y417.7bn, will now have production units all over Western Europe, a company spokesman said. Its share of the European ink market is expected to rise by one percentage point to 16 per cent, compared with the 12.6 per cent held by BASF of West Germany.

Hooker credit line request

By Our Financial Staff

HOOKER CORPORATION, the Australian property and retail company with US interests, yesterday asked its bankers to keep credit lines open to help it overcome a "short-term liquidity problem."

The company has called in the Peat Marwick Hungerfords accounting and management-consulting concern, and says it is seeking a joint-venture partner for its US department stores. On May 29 the company announced a plan to sell A$1bn (US$752m) of assets in the US and Australia over 12 months to reduce debt.

Directors will ask bankers tomorrow to provide further funding "to restore satisfactory liquidity for the immediate future."

Enso hopes London listing will draw foreign investors

By Andrew Baxter

SHARES in Enso-Gutzeit began trading on the London Stock Exchange yesterday, as part of moves by the Finnish state-controlled forest products group to put its sources of finance on a par with those of its privately-held rivals.

The listing is the first outside Finland for Enso, in which the Finnish state has 50.3 per cent of the shares and 66.1 per cent of the votes. London was chosen, said Mr Jukka Härmälä, president and chief operating officer, because it was the most international stock exchange and because of the importance of the European market for Enso's products.

The UK is Enso's biggest export market – the Financial Times is one of Enso's biggest newsprint customers – and is followed by West Germany.

Apart from wanting to make its nams better known on international capital markets as its sales become increasingly global, the immediate aim of the listing is to make trading in Enso's shares easier for existing or potential foreign investors. At the end of 1988, non-Finnish citizens had 7 per cent of Enso's shares and 3.1 per cent of the votes.

Foreigners are able to buy only Enso's free shares, two series of which will be listed in London, A shares with one vote each and R shares with one-tenth of a vote. The free shares represent just under 20 per cent of total shares outstanding, in line with the maximum total shareholding normally allowed for foreign investors in a Finnish company.

The possibility of using the London listing to raise money would be considered later, Mr Härmälä said last week. Last year Enso raised FM224m ($50.4m) from an international issue of free R shares, and in Msy completed an FM400m domestic equity issue.

Enso is keen to raise new equity to improve its gearing – Mr Härmälä said Enso's equity represented 32 per cent of the total balance sheet, against 40 to 50 per cent at its biggest competitors. This discrepancy is reflected in the slightly lower price/earnings ratios for the company's shares in comparison with private-sector rivals.

Mr Härmälä acknowledged that, in many respects, the presence of the stete had proved a restriction to its capital-raising objectives. So long as the state wished to keep its share in the company constant, budgetary constraints on the amount it subscribed to Enso's new issues could put a ceiling on the total amount of new capital raised.

In fact, the state has let its stake in the company slip from 55 per cent of the shares and 69.2 per cent of the votes at the end of 1987, but privatisation is more a talking point than part of Finland's political agenda. Over the past 15 years the state's investment in Enso has been exceeded by the dividends it has received.

Finland's FM120m investment in Enso this year is dwarfed by the company's planned capital spending of FM1.5bn to FM2bn. A number of big spending projects are cnrrently underwsy or planned, including a FM2.4bn joint venture with the Soviet Union in which birch from Soviet Karelia will be used to produce, by 1992, 485,000 tonnes a year of short-fibre pulp. This is used in Enso's liquid-packaging products, its biggest single product line.

Enso last year reported record profits after financial items of FM819m on sales of FM9.8bn. Over the past two decades ths company has moved out of commodity-type products such as kraftliner to focus on more specialised value-added lines like fine papers.

Magnum buys liquor chain

By Terry Hall in Wellington

MAGNUM CORPORATION, the brewery and wine business with retail liquor outlets which is 75 per cent controlled by Brierley Investments, ths New Zealand investment and finance company, announced yesterday it was taking over Wilson Neill's national chain of 32 liquor stores for around NZ$40m (US$22.8m).

The move, if approved by the Commerce Commission, New Zealand's antitrust regulatory body, and Wilson Neill shareholders, will see two leading companies, Lion Nathan and Magnum, dominating the liquor industry. Magnum controls Dominion Breweries and other outlets, including Liquorland and Robbie Burns, as well as wine companies Corbans and Cooks McWilliams. The proposal, however, will leave a number of other independent retailers, including the Licencing Trust Movement.

The sale is expected to be approved by the Commerce Commission, as it will make Magnum roughly the same size as Lion Nathan, and in its view will not limit competition.

Wilson Neill yesterday announced a total profit of NZ$30.2m for the year to March 31, down 16.5 per cent on last year. The slip came in spite of a 56.6 per cent rise in turnover to NZ$413m, as a result of the purchase of the Tasmanian brewer Cascades in July last year.

● Magnum also announced yesterday that it had sold the Wellington Parkroyal hotel to a foreign buyer for an undisclosed amount our Financial Staff adds.

The Wellington Parkroyal currently operates under contract management by Southern Pacific Hotel Corporation.

● Brierley Investments has bought a further 5.1 per cent of the issued capital of Luxembourg-based banking and finance company European Pacific Investments, giving it 33.1 per cent of the company.

Brierley said it had bought 1.27m shares by both private treaty and on the market for a total of NZ$4.88m. Prices ranged between NZ$3.50 and NZ$4.00 per share. EPI shares last traded on the New Zealand Stock Exchange at NZ$3.50.

EPI was formed jointly by Bank of New Zealand, Capital Markets and Brierley in 1986.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, June 19, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	64.0735	32.4877	44.3575
Albania (Lek)	10.1908	6.5789	3.3357	4.5642
Algeria (Dinar)	11.7126	7.5613	3.8339	5.2346
Andorra (Fr Fr)	10.3700	6.6946	3.3944	4.6346
(Sp Peseta)	193.15	124.6933	63.2242	86.3240
Angola (Kwanza)	47.587	30.7211	15.5767	21.2679
Antigua (E Carr $)	4.1526	2.6808	1.3592	1.8559
Argentina (Austral)	322.1	207.9406	105.4337	143.9553
Aruba (Florin)	2.7530	1.7772	0.9011	1.2303
Australia (Aus $)	2.0482	1.3205	0.6694	0.9140
Austria (Schilling)	21.535	13.9025	7.0490	9.6245
Azores (Port Escudo)	256.20	165.3970	83.8625	114.5027
Bahamas (Bahama $)	1.5490	1	0.5070	0.6922
Bahrain (Dinar)	0.5770	0.3724	0.1888	0.2578
Balearic Is (Sp Peseta)	193.15	124.6933	63.2242	86.3240
Bangladesh (Taka)	47.80	30.8586	15.6464	21.3631
Barbados (Barb $)	3.0934	1.9970	1.0125	1.3825
Belgium (Belg Fr)	64.05c	41.3492	20.9656	28.6256
	64.30f	41.5107	21.1125	28.7398
Belize (B $)	3.0760	1.9857	1.0068	1.3747
Benin (CFA Fr)	518.50	334.7320	169.7217	231.7318
Bermuda (Bermudian $)	1.5490	1	0.5070	0.6922
Bhutan (Ngultrum)	25.00	16.1394	8.1833	11.1731
Bolivia (Boliviano)	4.0296	2.6014	1.3190	1.8009
Botswana (Pula)	3.2225	2.0803	1.0548	1.4402
Brazil (Cruzado)	1.7917	1.1566	0.5865	0.8007
British Virgin Is (US $)	1.5490	1	0.5070	0.6922
Brunei (Brunei $)	3.029	1.9554	0.9914	1.3537
Bulgaria (Lev)	1.3580	0.8766	0.4445	0.6069
Burkina Faso (CFA Fr)	518.50	334.7320	169.7217	231.7318
Burma (Kyat)	11.1325	7.1868	3.6440	4.9754
Burundi (Burundi Fr)	254.55	164.3318	83.3224	113.7653
Cameroon (CFA Fr)	518.50	334.7320	169.7217	231.7318
Canada (Canadian $)	1.8540	1.1969	0.6069	0.8286
Canary Is (Sp Peseta)	193.15	124.6933	63.2242	86.3240
Cape Verde Is (CV Escudo)	125.3701	80.9361	41.0376	56.0313
Cayman Is (CI $)	1.2763	0.8240	0.4178	0.5704
Cen.Afr. Rep (CFA Fr)	518.50	334.7320	169.7217	231.7318
Chad (CFA Fr)	518.50	334.7320	169.7217	231.7318
Chile (Chilean Peso)	392.66	254.1382	128.8576	175.9394
China (Renminbi Yuan)	5.7925	3.7196	1.8859	2.5750
Colombia (Col Peso)	579.32	373.9961	189.6301	258.9159
Comoros Is (CFA Fr)	518.50	334.7320	169.7217	231.7318
Congo (Brazz) (CFA Fr)	518.50	334.7320	169.7217	231.7318
Costa Rica (Colon)	124.578	80.4247	40.7783	55.6773
Cuba (Cuban Peso)	1.1713	0.7561	0.3834	0.5234
Cyprus (Cyprus £)	0.7830	0.5067	0.2570	0.3501
Czechoslovakia (Koruna)	24.35c	15.7198	7.9705	10.8826
	15.78t	10.1872	5.1653	7.0525
	15.78t	10.1872	5.1653	7.0525
Denmark (Danish Krone)	11.8925	7.6775	3.8927	5.3150
Djibouti Rep (Djib Fr)	270.59	174.6810	88.5697	120.9162
Dominica (E Carib $)	4.1526	2.6808	1.3592	1.8559
Dominican Rep (D Peso)	9.8986	6.3644	3.2270	4.4060
Ecuador (Sucre)	783.42o	505.7585	256.4386	350.1318
	847.00s	546.8043	277.2504	378.5474
Egypt (Egyptian £)	3.8526	2.4871	1.2610	1.7218
El Salvador (Colon)	7.70	4.9709	2.5204	3.4413
Equat'l Guinea (CFA Fr)	518.50	334.7320	169.7217	231.7318
Ethiopia (Ethiopian Birr)	3.1592	2.0395	1.0341	1.4119
Falkland Is (Falk £)	1.00	0.6455	0.3273	0.4469
Faroe Is (Danish Kroner)	11.8925	7.6775	3.8927	5.3150
Fiji Is (Fiji $)	2.3853	1.5398	0.7807	1.0660
Finland (Markka)	6.837	4.4138	2.2379	3.0556
France (Fr)	10.3700	6.6946	3.3944	4.6346
Fr. Cty/Africa (CFA Fr)	518.50	334.7320	169.7217	231.7318
Fr. Guiana (Local Fr)	10.3700	6.6946	3.3944	4.6346
Fr. Pacific Is (CFP Fr)	187.00	120.7230	61.2111	83.5774
Gabon (CFA Fr)	518.50	334.7320	169.7217	231.7318
Gambia (Dalasi)	9.6686	6.2353	3.1615	4.3166
Germany East (Ostmark)	3.0550	1.9722	1	1.3653
Germany West (D Mark)	3.0550	1.9722	1	1.3653
Ghana (Cedi)	410.844	265.2317	134.4824	183.6174
Gibraltar (Gib £)	1.00	0.6455	0.3273	0.4469
Greece (Drachma)	262.25	169.3027	85.8428	117.2067
Greenland (Danish Krone)	11.8925	7.6775	3.8927	5.3150
Grenada (E Carr $)	4.1526	2.6808	1.3592	1.8559
Guadeloupe (Local Fr)	10.3700	6.6946	3.3944	4.6346
Guam (US $)	1.5490	1	0.5070	0.6922
Guatemala (Quetzal)	4.2300	2.7307	1.3846	1.8905
Guinea (Fr)	461.40	297.8695	151.0310	206.2122
Guinea-Bissau (Peso)	979.70	632.4725	320.6874	437.8493
Guyana (Guyanese $)	46.25	29.8580	15.1391	20.7016
Haiti (Gourde)	7.690	4.9644	2.5171	3.4368
Honduras (Lempira)	3.0980	2.0000	1.0141	1.3845
Hong Kong (HK $)	12.0122	7.7548	3.9320	5.3685
Hungary (Forint)	96.0764	62.0247	31.4489	42.9391
Iceland (Icelandic Krona)	89.75	57.9406	29.3780	40.1117
India (Indian Rupee)	25.00	16.1394	8.1833	11.1731
Indonesia (Rupiah)	2733.215	1764.5029	894.6693	1221.5486
Iran (Rial)	114.75	74.0800	37.5613	51.2849
Iraq (Iraqi Dinar)	0.4795	0.3094	0.1569	0.2142
Irish Rep (Punt)	1.1475	0.7408	0.3756	0.5128
Israel (Shekel)	2.97	1.9173	0.9721	1.3273
Italy (Lira)	2217.75	1431.7301	725.9410	991.1731
Ivory Coast (CFA Fr)	518.50	334.7320	169.7217	231.7318
Jamaica (Jamaican $)	8.3839	5.4124	2.7443	3.7469
Japan (Yen)	223.75	144.4480	73.2405	100
Jordan (Jordanian Dinar)	0.8730	0.5636	0.2857	0.3901
Kampuchea (Riel)	154.90	100	50.7037	69.2290
Kenya (Kenya Shilling)	32.65	21.0781	10.6873	14.5921
Kiribati (Australian $)	2.0482	1.3203	0.6694	0.9140
Korea North (Won)	1.4919	0.9631	0.4883	0.6667
Korea South (Won)	1025.35	661.9431	335.6301	458.2569
Kuwait (Kuwaiti Dinar)	0.4684	0.2959	0.1500	0.2048
Laos (New Kip)	845.90	546.0942	276.8903	378.0558
Lebanon (Lebanese £)	775.77	500.8200	253.9346	346.7129
Lesotho (Maloti)	4.3182	2.7877	1.4134	1.9299
Liberia (Liberian $)	1.5490	1	0.5070	0.6922
Libya (Libyan Dinar)	0.4809	0.3104	0.1574	0.2149
Liechtenstein (Swiss Fr)	2.6400	1.7043	0.8641	1.1798
Luxembourg (Lux Fr)	64.05	41.3492	20.9656	28.6256
Macao (Pataca)	12.3724	7.9873	4.0498	5.5295
Madeira (Port Escudo)	256.20	165.3970	83.8625	114.5027
Malagasy Rep (MG Fr)	2388.18	1541.7559	781.7283	1067.3430
Malawi (Kwacha)	4.3695	2.8208	1.4303	1.9528
Malaysia (Ringgit)	4.1817	2.6996	1.3688	1.8689
Maldive Is (Rufiya)	12.9746	8.3761	4.2470	5.7986
Mali Rep (CFA Fr)	518.50	334.7320	169.7217	231.7318
Malta (Maltese £)	0.5099	0.3288	0.1669	0.2277
Martinique (Local Fr)	10.3700	6.6946	3.3944	4.6346
Mauritania (Ouguiya)	115.35	74.4672	37.7577	51.5530
Mauritius (Maur Rupee)	24.0786	15.5446	7.8817	10.7613
Mexico (Mexican Peso)	3830.77u	2473.0400	1253.9460	1712.0759
	3753.49t	2423.1507	1228.6362	1677.5374
Miquelon (Local Fr)	10.3700	6.6946	3.3944	4.6346
Monaco (French Fr)	10.3700	6.6946	3.3944	4.6346
Mongolia (Tugrik)	5.1608	3.3316	1.6892	2.3065
Montserrat (E Carr $)	4.1526	2.6808	1.3592	1.8559
Morocco (Dirham)	13.45	8.6830	4.4026	6.0111
Mozambique (Metical)	1130.86	730.0581	370.1669	505.4122
Namibia (S A Rand)	4.3182	2.7877	1.4134	1.9299
Nauru Is (Australian $)	2.0482	1.3203	0.6694	0.9140
Nepal (Nepalese Rupee)	36.912	23.8295	12.0824	16.4969
Netherlands (Guilder)	3.4425	2.2224	1.1268	1.5385
N'nd Antilles (A/Guilder)	2.7694	1.7872	0.9061	1.2372
New Zealand (NZ $)	2.7025	1.7446	0.8846	1.2078
Nicaragua (Cordoba)	11403.35	7361.7495	3732.6841	5096.4692
Niger Rep (CFA Fr)	518.50	334.7320	169.7217	231.7318
Nigeria (Naira)	11.3812	7.3474	3.7254	5.0865
Norway (Nor. Krone)	11.1100	7.1725	3.6366	4.9653
Oman (Rial Omani)	0.5895	0.3805	0.1929	0.2634
Pakistan (Pak. Rupee)	31.50	20.3357	10.3109	14.0782
Panama (Balboa)	1.5490	1	0.5070	0.6922
Papua New Guinea (Kina)	1.3489	0.8708	0.4415	0.6028
Paraguay (Guarani)	1730.55	1117.2046	566.4648	773.4301
Peru (Inti)	—			
	4593.68o	2965.5777	1503.6595	2053.0413
Philippines (Peso)	31.90	20.5939	10.4418	14.2569
Pitcairn Is (£ Sterling)	1.00	0.6455	0.3273	0.4469
(NZ $)	2.7025	1.7446	0.8846	1.2078
Poland (Zloty)	1293.8	835.2485	423.5024	578.2346
Portugal (Escudo)	256.20	165.3970	83.8625	114.5027
Puerto Rico (US $)	1.5490	1	0.5070	0.6922
Qatar (Riyal)	5.5780	3.6010	1.8258	2.4929
Reunion Is. de la (F Fr)	10.3700	6.6946	3.3944	4.6346
Romania (Leu)	14.78	9.5416	4.8379	6.6055
Rwanda (Fr)	129.15	83.3763	42.2749	57.7206
St Christopher (E Carr $)	4.1526	2.6808	1.3592	1.8559
St Helena (£)	1.00	0.6455	0.3273	0.4469
St Lucia (E Carr $)	4.1526	2.6808	1.3592	1.8559
St Pierre (French Fr)	10.3700	6.6946	3.3944	4.6346
St Vincent (E Carr $)	4.1526	2.6808	1.3592	1.8559
San Marino (Italian Lira)	2217.75	1431.7301	725.9410	991.1731
Sao Tome (Dobra)	162.8173	105.1112	53.2953	72.7675
Saudi Arabia (Riyal)	5.7957	3.7392	1.8968	2.5893
Senegal (CFA Fr)	518.50	334.7320	169.7217	231.7318
Seychelles (Rupee)	8.89	5.7391	2.9099	3.9731
Sierra Leone (Leone)	97.2405	62.7763	31.8299	43.4594
Singapore ($)	3.029	1.9554	0.9914	1.3537
Solomon Is ($)	3.2753	2.1144	1.0721	1.4638
Somali Rep (Shilling)	630.58	407.0884	206.4093	281.8234
South Africa (Rand)	4.3182c	2.7877	1.4134	1.9299
	6.2376f	4.0268	2.0417	2.7877
Spain (Peseta)	193.15	124.6933	63.2242	86.3240
Spanish Ports in N Africa (Sp Peseta)	193.15	124.6933	63.2242	86.3240
Sri Lanka (Rupee)	52.00	33.5700	17.0212	23.2402
Sudan Rep (£)	6.921	4.4680	2.2654	3.0931
Surinam (Guilder)	2.7612	1.7825	0.9038	1.2340
Swaziland (Lilangeni)	4.3182	2.7877	1.4134	1.9299
Sweden (Krona)	10.3525	6.6832	3.3886	4.6267
Switzerland (Fr)	2.6400	1.7043	0.8641	1.1798
Syria (£)	32.60	21.0458	10.6710	14.5698
Taiwan ($)	40.20	25.9522	13.1587	17.9664
Tanzania (Shilling)	211.60	136.6042	69.2635	94.5698
Thailand (Baht)	39.80	25.6940	13.0278	17.7876
Togo Rep (CFA Fr)	518.50	334.7320	169.7217	231.7318
Tonga Is (Pa'Anga)	2.0482	1.3203	0.6694	0.9140
Trinidad/Tobago ($)	6.5865	4.2520	2.1559	2.9436
Tunisia (Dinar)	1.5164	0.9789	0.4963	0.6777
Turkey (Lira)	3207.59	2070.7488	1049.9476	1433.5597
Turks & Caicos (US $)	1.5490	1	0.5070	0.6922
Tuvalu (Australian $)	2.0482	1.3203	0.6694	0.9140
Uganda (New Shilling)	306.9262	198.1447	100.4668	137.1737
U.A.E. (Dirham)	5.6655	3.6575	1.8545	2.5320
United Kingdom (£)	1	0.6455	0.3273	0.4469
United States (US $)	1.5490	1	0.5070	0.6922
Uruguay (Peso)	678.65	437.2599	221.7104	302.6997
USSR (Rouble)	1.0092	0.6515	0.3303	0.4510
Vanuatu (Vatu)	179.11	115.6294	58.6284	80.0491
Vatican (Lira)	2217.75	1431.7301	725.9410	991.1731
Venezuela (Bolivar)	58.7466	37.9255	19.2296	26.2554
Vietnam (Dong)	6921.00	4468.0436	2265.4664	3093.1843
Virgin Is-British (US $)	1.5490	1	0.5070	0.6922
Virgin Is-US (US $)	1.5490	1	0.5070	0.6922
Western Samoa (Tala)	3.63	2.3434	1.1882	1.6223
Yemen (Rial)	14.90	9.6191	4.8772	6.6592
Yemen PDR (Dinar)	0.5275	0.3405	0.1726	0.2357
Yugoslavia (Dinar)	24202.06	15624.3124	7922.1145	10816.5631
Zaire Rep (Zaire)	578.75	373.6281	189.4435	258.6592
Zambia (Kwacha)	16.50	10.6520	5.4009	7.3743
Zimbabwe ($)	3.2975	2.1287	1.0793	1.4737

Special Drawing Rights June 16 1989 United Kingdom £1.24387 United States $1.22939 Germany West D Mark 2.46431 Japan Yen178.262 European Currency Unit Rates June 19 1989 United Kingdom £0.67720 United States $1.04163 Germany West D Mark 2.07076 Japan Yen151.505

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (l) Business rate; (m) Buying rate; (n) Luxury goods; (o) Market rate; (p) Official rate; (q) preferential rate; (r) convertible rate; (s) parallel rate; (t) Selling rate; (u) Tourist rate. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, June 19, 1989.

INTERNATIONAL CAPITAL MARKETS

EC agrees Ecu weightings for peseta and escudo

By William Dawkins in Luxembourg

THE TERMS under which the Spanish peseta and Portuguese escudo will become part of the Ecu basket of European currencies were yesterday agreed by EC Finance Ministers.

The move follows Spain's decision to put the peseta into the exchange rate mechanism of the EMS. It is the third revision of the Ecu's weightings since the European currency was introduced 10 years ago and completes Spain and Portugal's assimilation into the European Community.

It gives the peseta a 5.3 per cent weighting in the Ecu and the escudo 0.8 per cent, a combined 6.1 per cent. This will cause an initial shift in the relative weighting of most of the other currencies in the basket when the currency values for the new weightings are fixed in September.

"The Commission welcomes this decision and congratulates the Spanish Government on a move that is both wise and daring," said Mr Jacques Delors, Commission President. It would strengthen the EMS and was "important under the present political circumstances," he said, taking an oblique side-swipe at the UK Government's opposition to European monetary union, likely to be the focus of fierce debate at next week's EC summit.

The actual amounts represented by the percentages will be fixed according to the 12 currencies' individual rates against the Ecu at 14.15 Continental Europe time on September 20. On previous occasions the percentage re-weightings and actual amounts – which then fluctuate within their agreed EMS ranges – were fixed at the same time.

The new two-step approach was to allow currency holders to cover their positions ahead so as "not to create confusion or disruption on the financial markets," said Mr Henning Christophersen, European Commissioner for economic and monetary affairs. He predicted that the new weightings would raise Ecu loan rates by 0.8 percentage points.

The Ecu percentages had been fixed to "preserve its strong currency profile," while reflecting the relative strengths of the economies of its constituent currencies, said Mr Christophersen. Ecu bond issues increased more than threefold from Ecu2.5bn in 1983 to Ecu9.5bn last year, reaching Ecu5.1bn in the first half of '89.

Mr Carlos Solchaga, the Spanish Finance Minister, yesterday confirmed that the 6 per cent band within which the peseta can fluctuate against other EMS currencies would be temporary.

Italy is the only other EMS member with such a wide fluctuation margin. The rest have to steer their currencies within a 2.25 per cent band, which Spain was under pressure to follow.

THE NEW ECU WEIGHTINGS	New (%)	Old
German mark	30.1	34.7
Dutch guilder	9.4	11.0
Belgian franc	7.6	8.9
Irish punt	1.1	1.1
Lux. franc	0.3	0.3
Italian lira	10.15	9.5
Danish krone	2.45	2.7
French franc	19.0	18.6
Greek drachma	0.8	0.6
UK pound	13.0	13.0
Span. peseta	5.3	-
Port. escudo	0.8	-

Selling bout follows revision

By Norma Cohen and Andrew Freeman

ECU BOND prices dipped on the long-awaited announcement of the recomposition of the Ecu, although they recovered later in the day to close unchanged to slightly higher.

Traders of Ecu Eurobonds described the initial selling as profit-taking by speculative accounts which had taken positions last week hoping to profit if revisions to certain currencies' weightings turned out to be greater than expected. Many speculators sold positions yesterday, sending prices down by around ¾ point, with long-dated bonds marked down by around ½ point.

The new theoretical yield on a 10-year Ecu bond is now at about 8.20 per cent against last Friday's theoretical yield of 8.41 per cent. Actual yields are at about 8.61 per cent – narrow by historical standards, so could eventually widen out.

As a result, the best values for Ecu bond investors are likely to be in the 10-year area where recent bond pricings have tended to overcompensate for the effects of the recomposition.

In contrast, five-year and seven-year Ecu bonds appear appropriately priced. Five-year and seven-year issues are now offering yields about 44 basis points and 38 basis points respectively below those on a theoretical Ecu bond.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
B.F.C.E. 7 92	150	94⅞	95⅜	-0⅛	-0⅜	9.03
B.F.C.E. 9¼ 95	150	100⅞	101⅛	-0⅜	-0¼	8.99
Brit. Tel. Fin. 9⅜ 98	250	102½	103	-0⅜	-0¼	8.92
BP America 9¼ 99	250	†104¼	104¾	-0¼	+1	9.02
Canada 9 96	1000	101⅝	102⅛	-0½	-0⅜	8.55
Canadian Pac 10¾ 93	100	†101⅞	102½	0	0	10.12
C.C.C.E 9¼ 95	300	101⅛	101⅝	-0⅛	-0⅜	8.94
C.N.C.A 9⅝ 93	150	†101⅞	101⅝	-0⅜	-0¼	5.99
Credit National 8¼ 93	200	97	97⅜	-0½	-0⅜	9.11
Credit National 7⅝ 92	100	95⅝	96⅜	-0⅜	-0⅜	9.06
Credit National 9½ 92	160	101¼	102¼	-0⅜	-0⅜	8.78
Dai-Ichi Kan 9⅜ 92	150	101	101½	-0⅜	-0¼	9.13
Denmark 7¼ 92	500	94⅜	95⅜	-0¼	-0⅜	9.20
E.E.C. 7 91	100	95½	96	-0¼	-0¼	8.96
E.E.C. 7¼ 93	250	94½	95	-0½	-0¼	8.93
E.E.C. 10 93	140	103⅜	103½	-0⅜	-0¼	8.89
E.I.B. 9⅜ 97	150	†103½	103⅞	-0¼	0	8.77
Eurofima 10⅜ 93	100	†103⅜	104⅛	-0⅜	-0⅜	8.85
Elec. Dv France 9 98	200	100¼	100⅜	-0½	-0½	8.90
Elec. Dv France 9½ 99	200	102¾	103¼	-0¼	-1⅜	9.01
Finland 7⅜ 97	200	94⅜	93¼	-0⅜	+0⅜	8.79
Finn.Exp.Cd. 8½ 92	200	98¼	98⅜	-0¼	-0¼	9.11
Finn. Exp. Cd. 9⅜ 95	200	101	101⅜	-0¼	-0¼	9.09
Ford Motor Credit 8 91	250	†97¼	98¼	-0¼	0	9.24
Ford Mtr.Cred. 10 94	200	†105½	106	+0⅜	+0½	8.52
Gen.Elec.Cap.Corp. 9 93	500	†100	100½	-0¼	0	8.90
Gen.Elec.Cap.Crp.10 1/2 91	300	102½	102⅜	-0¼	-0¼	8.93
Gen.Mtrs.Corp. 9¼ 92	200	99½	100⅜	-0⅜	-0¼	9.21
IBM Credit Corp. 8¾ 92	250	99½	100⅜	-0¼	-0¼	8.95
IBM Credit Corp. 9½ 92	250	101¼	101⅜	-0⅜	-0½	8.81
IBM Credit Corp. 10 92	200	102½	103¼	-0¼	-0½	8.87
Italy 9⅜ 95	1000	102⅜	102⅞	-0½	-0¼	8.98
Italy 9⅜ 99	1000	†103⅜	103⅞	-1½	-0⅜	9.04
Japan Dev. Bank 10 96	200	105	105⅛	-0⅜	-0⅜	8.97
L.T.C.B. of Japan 9¼ 92	200	100½	100⅞	-0⅜	-0⅜	9.08
Metropolis Tokyo 9½ 93	200	101½	102⅛	-0½	-0⅜	8.87
Nippon Tel.&Tel. 9⅝ 98	250	102⅝	102⅞	-0⅜	-0⅜	8.94
Norway 8¼ 93	500	99⅜	99½	-0⅜	-0½	8.93
Portugal 8¼ 91	300	†97⅜	98⅜	-0⅜	-0⅜	9.57
Prudential Crp. 8⅜ 94	125	†100⅜	101⅜	+0¼	+0⅜	8.52
State Bk S Aust 9¼ 93	100	†100⅜	100⅝	-0¼	0	9.09
Sumitomo Bank 9⅝ 92	150	†100⅝	101¼	-0½	-0½	9.23
Sweden 7 91	250	93⅜	96¼	-0⅜	-0¼	8.96
Sweden 8¾ 96	200	99¼	99¾	-0⅜	-0½	8.84
Sweden 8½ 92	200	†98¼	98⅜	-0¼	-0⅛	9.04
Toyota 9½ 91	200	100½	101	-0¼	-0⅜	9.10
Victorian Rep 11⅜ 92	150	105½	106⅛	-0⅜	-0¼	9.23
World Bank 7 92	300	†95¼	93⅞	-0¼	-0⅜	8.91
World Bank 9 97	300	100⅜	100⅝	-0⅜	-0⅜	8.90
World Bank 9 93	300	100¼	100½	-0⅜	-0¼	8.88
World Bank 9¼ 98	300	101⅜	102¼	-0⅜	-0⅜	8.91
World Bank 9⅛ 99	500	104	104¼	-1⅜	-1⅛	8.95
World Bank 9⅜ 96	300	103⅜	104¼	-0½	-0⅜	0.55

Average price change... On day -0½ on week -0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	95½	96	+0¼	+0¼	6.94
Austria 6¾ 99	750	†99¼	99⅝	+0¼	+1⅜	6.83
Bank of Tokyo 5¾ 93	100	95½	96	+0⅜	-0¼	7.08
Commerzbank o/s. 5⅜ 93	300	95¼	93¾	+0⅜	+0¼	6.82
Credit Foncier 6¾ 99	500	†99⅜	99⅜	-0⅜	+1⅜	7.86
Degussa Int. 6⅜ 97	200	93⅜	96¼	0	+1⅜	6.78
E.I.B 5½ 98	150	90½	91	+0⅜	+0⅜	6.93
E.I.B. 6¼ 99	600	95⅝	96⅜	+0⅝	+1⅜	6.84
E.I.B. 6⅛ 96	300	96¼	96¼	0	+0⅜	6.76
E.I.B. 6½ 99	300	†97¼	97¼	+0⅛	+1⅜	6.85
E.I.B. 6⅞ 95	300	101	101½	-0¼	+0½	6.62
Euro.Coal& Steel 3⅞ 97	175	93½	94	0	+0⅝	6.95
Eurofima 6¼ 96	100	95½	96	+0¼	+0⅜	7.04
Elec De France 5¾ 97	300	93¼	93¾	+0½	+1⅜	6.83
Forsmark Krtg. 5¼ 93	200	93⅜	94¼	0	+0¼	7.01
Hydro-Quebec 6¼ 99	300	†99¼	99½	0	+1⅜	6.83
Japan Dev. Bk. 5¾ 95	300	†93¼	94¼	-0½	+1½	6.64
Japan Finance 5¼ 97	100	93¼	93¾	+0½	+1⅜	6.86
Ireland 6½ 97	300	95¾	96¼	0	+0⅞	7.18
Malaysia 6¼ 94	150	96	96½	-0¼	+0¼	7.16
Nat. West BK. PLC 6 98	300	†92¼	93¼	+0¼	+1	7.09
N.H.L. Finance 6¼ 95	200	†93½	94	0	0	7.50
Nippon Telg.&Tel. 6 95	400	†95¾	96¼	+0¼	+0¼	6.36
Oesters. Kontbk. 5 93	300	95½	96	-0¼	+0¼	6.34
Portugal 5¾ 92	150	96¾	97¼	0	+1	6.84
Portugal 6⅜ 95	150	98⅛	98⅝	-0¼	+0⅜	6.93
Privatbanken 5¼ 93	150	93¼	94¼	0	+0¼	7.14
Royal Insurance 5½ 92	300	96	96½	-0¼	0	7.00
Soc Cent Nuclear 7¼ 95	150	99⅞	100⅝	+0¼	+0⅜	7.22
Turkey 6⅛ 95	500	†94½	93	+0⅞	+0½	7.63
Union Bk.Finland 3½ 94	200	†95¼	95¾	+0¼	+1½	6.66
Westlb. Finance 5 93	200	*†93¼	93⅝	0	+0¼	7.08
World BK. 6¼ 97	600	†98	98¼	+0¼	+2½	6.70

Average price change... On day +0⅛ on week +1

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†94½	95½	+0⅝	-1½	5.88
Asfinag 5 03	100	†94	93	+0⅛	+1¼	5.57
B.F.C.E. 4½ 98	200	†91¼	92¼	+0½	+0⅝	5.65
B.M.W.Fin.Neth. 3 13	150	†87⅜	88½	+0⅜	+0½	5.94
Britannia B/S. 4¼ 94	100	†91⅜	92¼	-0⅜	+0⅝	6.16
CIR. Int. W/W 3 93	125	†91	91¼	0	-1	3.48
Credit Lyonnais 4¾ 00	100	†90¼	90¼	+0¼	+1¼	5.95
E.I.B 4⅝ 98	150	†90½	91½	+0⅜	-0½	5.94
Fletcher Chall. 4⅞ 98	150	†88¼	89½	+0⅛	-0¼	6.53
Kobe City 4⅝ 98	150	†92	93	+0¼	+0¼	5.71
Leeds Perm. B/S. 4⅛ 93	200	†93½	94	0	-0¼	5.99
Malaysia 5¼ 98	100	†91	91¼	-0⅞	-1⅞	6.38
Maxwell Comm.Crp. 5 95	150	†89⅛	90¼	-0⅛	+0½	7.10
Nat.Bk. Hungary 5½ 94	75	†94½	95½	+0½	+1	6.60
Nationwide Ang.B/S. 4 93	200	†91½	92⅞	+0⅛	-0⅛	6.36
Nippon Telg.&Tel.4¼ 95	200	†93	93¼	+0⅜	-1¼	5.54
Oesters.Ktbk. 5 03	75	†92	92½	+0¼	+1¼	5.82
Prov. Newfoundland 5 03	150	†92	92⅛	+0⅛	-1⅛	5.81
Thailand 4⅝ 95	200	†91	93	0	-0½	6.25
World Bank 5 03	150	†93	93⅛	-1⅞	-1⅛	5.72

Average price change... On day +0⅜ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅜ 91	80	101	101¼	+0⅛	-0⅜	5.38
Canada 5⅜ 93	80	100⅝	100⅜	-0⅛	-0½	5.41
Eurofima 5 1995	20	97⅞	98¼	-0⅛	-0⅜	5.40
E.I.B. 4⅝ 93	30	98	98¼	+0¼	-0½	5.44
Ireland 5⅝ 93	30	99¼	99¼	0	-0⅛	5.27
Norway 5⅛ 95	50	98½	99	-0¼	-1	5.38
Sweden 4⅝ 93	50	97⅛	97⅜	+0¼	-0½	5.42
World Bank 5⅛ 98	10	97⅜	98	-0⅛	-1¼	5.47
World Bank 7 94	20	106⅜	106⅜	+0⅜	-0⅜	5.41

Average price change... On day +0 on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 11⅝ 95 £	100	97⅜	97⅞	+0½	-0¼	12.22
Aegon 7⅞ 92 FL	100	100⅝	101⅛	0	+0¼	7.83
Alg. Bk. Ned. 5½ 92 FL	150	95	95⅜	0	+0¼	7.57
Alg. Bk. Ned. 5¾ 93 FL	200	93¾	94¼	0	-0⅛	7.64
Austria 7½ 94 ECU	100	96	96½	+0⅛	+0½	8.47
Bk.Nova Scot. 14⅜ 90 A$	75	95	96	0	0	17.96
Barclays Aus. 13½ 91 A$	100	94⅜	95	+0¼	0	16.33
Belgium 8⅛ 94 Ecu	150	98	98½	0	+0¼	8.57
BP Capital 9¼ 93 £	100	92½	92⅞	+0¼	-0⅜	12.25
British Airways 10 98 £	100	89	89½	+0½	-0¼	12.04
Buhrmann-Tet. 6¾ 93 FL	100	93	95½	0	+0¼	7.77
Comm. Bk. Aust. 12⅝ 93A$	180	†93	93½	0	-0¼	15.00
Coop.Ctr.Rabo.6¼ 93 FL	100	97½	98	0	+0½	6.96
Cr.Local France 9¼ 92Ecu	100	101½	102¼	+0¼	+0⅜	8.51
Deut.Bk.Aus. 13⅜ 93 A$	125	94	94½	+0¼	+0½	15.16
Deutsche Bk.Fin. 15 94 A$	100	101⅜	102⅛	0	+0¼	14.37
Eastman Kodak 13 90 A$	100	95	95½	+0¼	+0½	17.60
E.I.B. 7 96 LFr	100	96⅜	97½	0	0	7.58
E.I.B. 9 99 Ecu	150	101⅜	102⅜	+0⅜	+1	8.68
Eurofima 7⅞ 94 Ecu	100	96½	96¾	-0⅜	+0¼	8.59
Export Dv.Crp.8¾ 92Ecu	100	100⅜	100⅝	0	+0¼	8.58
Fed.Bus.Dv.Bk.9¼ 92 C$	75	†98	98½	-0⅛	-0⅛	10.46
Fed.Bus.Dv.Bk.10½ 93C$	50	100⅜	100¼	-0⅜	-0½	10.33
Ferrv. Stato 7¼ 93 Ecu	100	96½	97	0	+0¼	8.75
Ford Cr.Can.10¾ 93 C$	100	†100⅜	100⅝	-0⅜	-0½	10.49
Ford Cred.Can.10⅞ 96C$	125	†103⅜	103⅜	+0⅜	+0⅞	10.09
Ford Mtr.Cred.7⅞ 93Ecu	100	96⅜	97⅜	+0½	+0⅜	8.81
Heineken 7⅜ 94 FL	150	100⅜	100½	0	0	7.73
Hydro-Quebec 11 99 C$	400	104⅝	104½	-0½	-0⅜	10.25
Lloyds Bank 10¼ 98 £	150	90	90½	+0½	-0⅜	12.10
Lloyds Bank 11⅜ 98 £	100	93⅜	94¼	+0⅜	-0¼	12.48
Montreal Tst.10¼ 93 C$	100	†98⅜	99¼	-0½	-0⅜	11.06
Morgan Guar.Tst. 11 91 C$	150	99¼	100⅜	-0¼	-0⅜	10.90
Nat. Aus. Bk. 14¼ 94A$	100	99	99⅝	0	+0¼	14.93
New Zealand 9½ 93 £	100	91⅜	91⅞	+0⅝	-0⅜	12.42
Philips Gleoil. 6 93 FL	300	94¼	95¼	0	+0¼	7.44
Privatbanken 7½ 94 LFr	500	97⅞	98⅞	0	0	7.91
Royal Bk.Scot.10⅝ 98 £	125	92⅝	93	+0½	-0¼	12.06
Saskatchewan 9⅞ 91 C$	150	†98¼	98¼	-0⅜	-0⅜	10.68
Saskatchewan 10¼ 93 C$	200	99⅜	99¼	-0⅜	-0½	10.36
State Bk.NSW. 13⅞ 93A$	100	94½	93⅜	-0½	+0¼	15.51
Sweden 13 94 A$	100	101⅜	102⅜	-0¼	+0¼	14.37
Toyota Mtr.Cr.11⅜ 92C$	150	101⅝	102⅝	-0¼	-0⅜	10.49
World Bank 13⅜ 92 A$	100	98¼	98⅜	+0¼	+0⅝	13.97
Zentrspk. 13¼ 93 A$	75	†94¾	95¼	-0⅝	-0⅜	14.85

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. 8id 94 £	.08	99.93	99.98	18/07	13.08
Bank of Greece 99 US	0¼	99.75	99.85	8/09	10.62
Belgium 91 US	0	100.18	100.28	19/08	9.38
Chelt.& Gloucester 94 £	.063	99.83	99.87	30/08	14.06
Credit Foncier 98 US	.063	100.23	100.33	20/10	10.16
Dresdner Finance 99 DM	.031	99.93	100.03	27/07	6.59
EEC 3 92 DM	0	100.52	100.62	20/08	5.63
Halifax BS 94 £	.1	99.92	99.98	6/08	12.97
Invt. in Industry 94 £	0¼	99.94	100.07	24/06	14.06
Leeds Perm. B/S. 94 £	0¼	100.11	100.16	13/07	13.34
Midland Bank 01 £	.1	98.37	98.67	11/08	12.97
Milk Mkt.Brd. 3 93 £	0⅛	100.03	100.08	30/06	13.06
New Zealand 5 97 £	.07	99.98	100.08	22/08	13.19
State Bk. Nsw. 98 US	.188	100.49	100.59	11/08	9.87
Woolwich Equit.BS. 93 £	0¼	100.09	100.14	13/07	13.37
Woolwich 5 93 £	0¼	99.92	99.97	22/08	13¼

Average price change... On day +0.01 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	115⅝	116⅜	+0¼	9.29
Amer. Brands 7¾ 02 US	†9/87	56.7	128	129	0	2.26
Ashikaga Bank 2⅞ 02 US	4/87	967.	119½	120¼	+4¼	3.02
Asics 5 92 DM	†12/83	472.7	265	266	+0⅛	12.52
CBS. Inc. 5 02 US	†4/87	200.	104¼	105¼	+0¼	4.99
Primerica 5½ 02 US	4/87	66.75	68⅝	69⅝	0	94.56
Eng.China Clay 6½ 03 £	9/88	4.8	100⅝	101⅜	+0½	3.06
Fujitsu 3 99 US	5/84	1106.	207½	200½	+4⅞	-1.04
Land Secs. 6¼ 02 £	6/87	6.72	93⅞	94⅝	0	14.06
Minolta Camera 2¼ 94 DM	2/86	1004.	110¼	112¼	+0½	7.87
MCA Inc 5½ 02 US	†9/87	69.62	97½	98½	+0¼	16.14
Mitsubishi Bk. 3½ 04 US	5/89	3266.	90¼	91¼	+2½	5.75
Mitsui trust 2⅛ 01 US	10/86	1903.	115	116	+2⅜	3.08
Next Plc 5¾ 03 £	11/87	4.3	98⅛	98⅞	0	206.92
Nikko Hipp.Bk.2⅞ 03 US	4/88	884.	108⅝	109⅝	+3¼	-8.82
Onoen Takeki 2⅝ 02 US	4/87	1310.	244½	245½	+9⅝	-0.21
Ranks Hovis 4¾ 03 £	1/88	3.5	122⅞	123⅞	+0¼	-2.06
Redland 7¼ 02 £	1/87	5.4	103	104	0	2.36
Swatch&Stchi 6⅞ 05 £	†10/89	4.41	90⅞	91¾	-0¼	32.81
Sumitomo Bank 3¼ 04 US	2/89	4296.	80⅞	81⅞	+2½	16.27
Texas Inst. 2¾ 02 US	9/87	82.87	76¼	77¼	-0¼	52.35
W.R. Grace 6¼ 02 US	9/87	42.12	95	96	0	21.43

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wood Gundy

INTERNATIONAL CAPITAL MARKETS

Spanish bonds give peseta moves a warm reception

By Norma Cohen and Katharine Campbell in London and Janet Bush in New York

THE SPANISH bond market reacted warmly to news of the peseta's inclusion within the EMS and within the reconstituted Ecu, despite the implicit requirement that the new status will require a weaker currency.

Dealers reported the initial market reaction to be one of extreme nervousness, with a single government bond – the benchmark 12 per cent bonds due 1992 – seen quoted on brokers' screens.

However, enthusiasm picked up as the day wore on, so that

GOVERNMENT BONDS

the 12 per cent bonds closed with a yield of about 13.80 per cent, down 10 basis points from Friday's close. Dealers reported strong buying from non-Spanish accounts, particularly banks in Italy and in Scandinavia.

Dealers noted that the Bank of Spain kicked off its new status by selling unusually large amounts of pesetas for dollars and D-Marks in the open market, indicating that it firmly intends to keep its currency in line through intervention.

However, the effects of currency depreciation are offset by expectations that lower interest rates – needed to keep the currency within its new target bands – will offer investors capital gains on their bonds. Money market rates, which had been trading at 14 to 14¼ per cent last week, fell to 13.70 per cent yesterday.

■ A RECORD monthly current account deficit in Australia last month left the domestic bond market relatively unruffled because it had been anticipated.

With the May shortfall at A$1.83bn – almost entirely due to a 17 per cent month-on-month increase in imports – the bond market dipped briefly, but recovered later in a day of only sparse trading activity.

The September 10-year future dropped briefly to 86.20, closing at 86.27, 5 basis points weaker than Friday.

While a national election in nine months' time means that further tightening is an unpalatable solution to the Australian balance of payments difficulty, treasurer Mr Paul Keating also made it clear that rates had to be held at current levels for the time being.

Thus the steeply inverted yield curve – with 90-day paper around 18.25 per cent and the 10-year benchmark yielding just 13.80 per cent – looks set to remain in that shape for some time.

■ UK GOVERNMENT bond prices rallied after opening weaker on a dismal showing for the ruling Tory party in European elections last weekend.

After opening as much as ½ point lower among longer issues, bond prices closed nearly ½ point higher, albeit in very thin trade. Dealers cited the persistent absence of stock as a factor supporting gilts prices, although a rally in sterling during the day also underpinned the markets.

With very little retail activity of any sort, a handful of trades were able to have a disproportionate effect on prices overall.

■ WEST GERMAN government bond prices closed about 15 pfennigs lower after a day of dull trading saved only by short-covering on the back of a rise in bund futures prices in London. Dealers said the long-awaited recomposition of the Ecu had no discernable effect on prices, with the new weightings largely in line with what analysts had anticipated.

There was also little reaction to Bundesbank president Mr Karl Otto Pöhl's decision yesterday to end the present queueing system for D-Mark denominated bonds and to shorten the minimum maturity for government bonds to two years from five years.

■ US TREASURY bonds continued to track movements in the dollar yesterday morning and registered modest losses at midsession as the US currency slipped on fears of more central bank intervention.

At midsession, the Treasury's benchmark long bond was quoted ⅛ point lower for a yield of 8.33 per cent. The dollar was quoted at the New York midsession at Y144.60, about the middle of the session's range, and at DM1.9750, towards the lower end of the day's trading range.

Trading started the week on a cautious note. After the dollar's plunge last Thursday on a mixture of profit-taking and heavy central bank intervention, the US currency is no longer an unequivocally positive influence on the bond market.

Other factors are now likely to come into play. First, there is the prospect of new supply, with Treasury auctions of two-year and four-year notes scheduled next week.

Second, there are some important statistics this week, with the final first-quarter GNP revisions on Thursday and durable goods orders and personal income and consumption for May due for release on Friday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red. Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-08	+0/32	11.53	11.64	11.00
		9.750	1/98	94-28	+5/32	10.69	10.79	10.27
		9.000	10/08	94-10	+13/32	9.65	9.80	9.28
US TREASURY *		9.125	5/99	105-08	-1/32	8.34	8.15	8.79
		8.875	2/19	106-03	-5/32	8.32	8.13	8.71
JAPAN	No 111	4.600	6/98	94.4659	-0.196	5.52	5.45	5.36
	No 2	5.700	3/07	104.6164	-0.291	5.20	5.06	5.06
GERMANY		6.375	11/98	101.9000	+0.150	6.72	6.77	7.01
FRANCE	BTAN	8.000	1/94	95.5988	-0.176	8.91	8.88	8.92
	OAT	8.125	5/99	95.5800	+0.020	8.65	8.69	8.80
CANADA *		10.250	12/98	104.7500	-0.250	9.48	9.32	9.78
NETHERLANDS		6.7500	10/98	99.0750	-0.200	7.13	7.17	7.42
AUSTRALIA		12.000	7/99	90.1305	-0.024	13.85	13.89	13.60

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

New market maker for FTSE 100 index option

By Katharine Campbell

THE LONDON Traded Options Market this week gains another market-maker with ambitions to inject a new spirit of professionalism and competition into the cosy but under-utilised market.

BT Traded Options, a newly created offshoot of Bankers Trust International, shortly takes to the floor of LTOM as a market-maker in the FTSE 100 index option as well as in stock options within the modish UK electrical sector.

The team is headed by Mr Alasdair Haynes and will initially consist of two market-makers on the floor as well as two "upstairs" traders. It will trade only for the Bankers' account.

As the first US bank to set up its own floor operation, BT hopes to wake up the market with its US-style options trading techniques. Openly critical both of how the exchange has been run and of the standards of brokerage and market-making on the floor, Mr Haynes believes the presence of firms such as his can help enliven the trading environment.

LTOM is "grossly under-utilised," he says, because high brokerage fees and wide trading spreads make the market prohibitively expensive for institutional clients.

Until now the American firm O'Connor has been one of the few independent options market-makers among a close-knit "cosy cartel of old-style jobbers."

BT chooses not to participate in the costly exercise of making markets in underlying equities, something that will add to rather than detract from the options subsidiary's force, he adds.

Specialising in derivatives rather than cash stocks has served Bankers Trust International well up to now. Their 18-month old Public Equity Group runs one of the more advanced – and profitable – warrants and customised options operations in London.

Another difference in the BT technique is that the new firm intends to concentrate its energies on a relatively narrow selection of options.

Germany relaxes Eurobond rules

By Haig Simonian in Frankfurt

THE WEST German Bundesbank is to further liberalise the D-Mark Eurobond market. From July 1, the minimum notification period for DM issues is to be abolished, while the minimum maturity for public issues is to come down to two years from five.

Together, the two moves should appreciably enliven the DM Eurobond market and stimulate interest in DM fixed-income securities at a time when foreign demand for some fixed-income DM paper has fallen sharply from earlier peaks.

The Bundesbank's decision may thus partly reflect recent concern that indecisiveness in German fiscal policy has damaged the appeal of the D-Mark to international investors, contributing to its loss of value against the dollar and exposing the economy to the risk of imported inflation.

In a speech at Frankfurt University yesterday, Mr Karl Otto Pöhl put the decision in purely capital markets terms, explaining the move as a "contribution to the attractiveness of Frankfurt as a financial centre."

Whatever the reasons, bankers were enthusiastic about the abolition of the notification period, which follows a gradual narrowing since the mid-1980s, when the period was first halved to two weeks and then further reduced to two days.

"If we have a great swap it means we can do the deal right now," said one excited syndicate manager. While the steady reduction in the notification period has certainly made swap-driven DM Eurobond deals more feasible, the continuing need to inform the Bundesbank well ahead of a planned issue could still play havoc with the schedule.

Meanwhile, reducing the minimum maturity for public issues to two years should also stimulate both borrowers and investors. Although shorter meturities are available via private placements, which have three-year minimum maturities, the improved visibility of a public offering should further stimulate the market in shorter maturities.

The change will be particularly attractive for investment banks active in Japanese equity warrant deals. The five-year floor has severely constrained the attractions of issuing in D-Marks, as swap opportunities via the forex market are largely limited to four years. As a result, the number of Japanese warrant issues in D-Marks has been a relative trickle compared with the flood in some other currencies.

However, the cut in the minimum maturity may not receive an unreserved welcome from German banks, which have consistently argued that such a move should take place only if accompanied by the abolition of the country's stock exchange turnover tax.

The effect of the tax is most marked on short-maturity securities, triggering concern among some domestic bankers that the latest decision may only serve to encourage the general trend to trade German paper in London, where it can change hands tax free.

NTT fills issue vacuum with $200m deal

By Andrew Freeman and Katharine Campbell

NEW-ISSUE activity was muted on the Eurobond market yesterday, with syndicate managers busy absorbing the Ecu revision. A single dollar deal emerged, despite evidence of strong investor demand for paper of the right maturity.

Paribas Capital Markets was the lead manager of a $200m 10-year issue for Nippon Tele-

INTERNATIONAL BONDS

graph & Telephone (NTT). The bonds carried a 9 per cent coupon and were priced at 101⅛ to yield 50 basis points over the equivalent US Treasury.

Although there was some grumbling that the bonds gave little away against existing NTT paper, traders reported a hot reception, especially in Europe and the Far East. The bonds sold out quickly and were quoted on a narrower spread at less 1.68 bid by the lead manager, well inside underwriting commissions of 2 per cent.

The proceeds were swapped into floating-rate dollars to achieve a rate of around 30 basis points below Libor, before being swapped into fixed-rate yen. It is understood that Dai-Ichi Kangyo Bank was the counterparty on the yen leg of the swap.

The long-dated Euro-sterling sector was tapped with a £100m 25-year issue for P&O brought by BZW, which acted as sole lead manager. BZW described the deal as "quite adventurous," given the parlous recent condition of sterling and consequent unpredictability of the UK government bond market.

The bonds were priced at a spread of 175 basis points above the 9 per cent Treasury stock due 2008 and were placed at prices ranging between 97⅝ and 97¾ as long gilts firmed slightly during the morning.

A mixed response was reported from the UK institutions at which the deal was principally aimed and, although BZW said the bulk of the paper was sold within a matter of hours, there was talk of some resistance.

In Germany yesterday, prices were slightly easier in light trading. Deutsche Bank was the lead manager of a DM300m equity warrant issue for Uny, which was trading at 97½ bid, outside fees, after an average reception.

Sumitomo Bank launched its first issue in Germany, a DM100m deal for Mizuno Finance, which traded inside fees at 100.45 bid.

In Switzerland, traders reported a shortage of quality paper in the straight maturity sector, amid underlying firm sentiment.

Swiss Bank Corporation issued a SFr125m convertible deal for Maxwell Finance, the first international convertible deal by the borrower. The coupon was indicated at 5½ per cent, with an indicated conversion premium of 22 per cent.

The issue was trading at less 1¼ bid, inside fees, although some banks, notably Credit Suisse and Union Bank of Switzerland, were reluctant to accept the indicated terms and said they would wait until final terms were set before committing themselves.

Elsewhere, Matador bonds responded to Spain's entry into the EMS with gains of around ¼ point. Yesterday's business outstripped last week's total volume.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
P&O(b)◆	100	11½	97⅝	2014	n/a	BZW
US DOLLARS						
Nippon Tel. & Tel.◆	200	9	101⅛	1999	2/1¼	Paribas Capital Markets
Fuji Bank (Canada)(e)◆	20	9¼	102¼	2004	2¼/1½	Fuji Int.
D-MARKS						
Uny Co.#	300	(1¾)	100	1994	2¼/1½	Deutsche Bank
Mizuno Finance Neth.★★◆	100	7½	101⅛	1993	1½/1	Sumitomo Bk(Deutschland)
IKB International Lux.★★◆	50	7	101	1992	n/a	Industriekreditbank
SWISS FRANCS						
Maxwell Finance Ltd.(a)§	125	(5½)	100	1994	1⅝	SBC
YEN						
Banque Nat. de Paris(c)◆	4bn	(c)	101⅛	1992	1⅝/⅞	Bankers Trust Int.
Bergen Bank(d)‡◆	4bn	(d)	(d)	1991/92	10/15bp	IBJ Int.

★★Private placement. #With equity warrants. §Convertible. ◆Final terms. a) Convertible into ordinary shares of Maxwell Communications. b) Call option. c) First coupon 5⅞%, Nikkei stock index linked thereafter. d) Launched in four tranches of Y1bn each(with Y1bn on tap for each tranche). Coupon linked to Japanese long-term prime rate. Issue price ranges between 100.10 and 100.16. e) Call after 10 years at par.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

		Monday June 19 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Jun 16 Index No.	Thu Jun 15 Index No.	Wed Jun 14 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (205)	957.69	+0.2	10.95	4.89	11.21	14.74	955.51	948.41	951.76	778.55
2	Building Materials (29)	1183.19	+0.2	12.02	4.33	10.28	22.32	1180.73	1161.89	1166.65	1018.33
3	Contracting, Construction (37)	1628.98	-0.3	14.24	4.31	9.21	30.72	1633.22	1627.59	1631.87	1588.09
4	Electricals (9)	2796.58	+0.2	8.89	4.10	13.97	50.60	2790.72	2779.65	2800.53	2078.63
5	Electronics (30)	2249.81	+0.3	8.40	3.89	15.28	23.92	2243.76	2223.02	2228.78	1671.38
6	Mechanical Engineering (54)	527.96	+1.1	10.08	4.01	12.21	8.04	522.46	520.70	522.64	399.05
8	Metals and Metal Forming (7)	517.40	-2.6	19.36	5.79	5.69	3.02	531.30	529.72	536.65	474.06
9	Motors (17)	322.12	+0.5	11.54	4.72	10.17	6.83	320.61	320.30	320.32	274.05
10	Other Industrial Materials (22)	1585.27	+0.5	9.49	4.30	12.50	26.35	1577.33	1565.90	1568.31	1286.06
21	CONSUMER GROUP (187)	1225.00	+0.6	9.05	3.68	13.02	17.90	1217.48	1208.33	1210.64	1006.26
22	Brewers and Distillers (22)	1321.00	-0.2	10.28	3.66	12.23	19.41	1323.49	1320.05	1318.95	1126.78
25	Food Manufacturing (20)	1083.90	+0.7	9.51	3.87	13.16	17.13	1076.87	1072.85	1078.05	972.05
26	Food Retailing (15)	2399.40	+0.8	8.42	3.17	15.58	25.59	2380.00	2337.31	2335.62	2015.90
27	Health and Household (14)	2216.34	+1.2	6.69	2.68	16.96	21.50	2189.19	2166.77	2181.41	1828.69
29	Leisure (33)	1651.49	+1.2	7.67	3.43	16.31	22.05	1632.27	1620.61	1623.30	1342.90
31	Packaging & Paper (15)	567.53	+0.2	10.17	4.33	12.43	8.15	566.38	565.16	565.64	504.52
32	Publishing & Printing (19)	3542.78	+0.2	8.69	4.60	14.52	71.08	3534.50	3513.00	3526.44	3381.53
34	Stores (34)	804.89	+0.4	11.29	4.48	11.59	14.90	801.54	791.12	794.91	810.31
35	Textiles (15)	534.90	+0.3	11.20	5.42	10.76	13.42	533.63	529.80	528.97	591.62
40	OTHER GROUPS (94)	1127.66	+0.5	10.10	4.16	12.05	13.55	1122.06	1117.62	1118.71	892.78
41	Agencies (18)	1359.56	+0.8	7.30	2.42	16.95	16.91	1349.39	1363.81	1364.94	1174.63
42	Chemicals (22)	1276.53	+0.3	11.17	4.67	10.56	26.30	1272.79	1269.30	1271.90	1056.81
43	Conglomerates (12)	1595.59	+0.7	10.54	5.02	11.18	20.16	1583.82	1576.37	1568.47	1208.48
45	Transport (13)	2438.74	-0.2	8.65	3.70	15.02	39.22	2444.57	2425.69	2422.01	1908.48
47	Telephone Networks (2)	1119.74	+0.1	11.14	4.43	11.64	2.76	1118.20	1120.20	1137.57	952.68
48	Miscellaneous (27)	1708.53	+1.3	9.33	3.50	12.17	25.26	1686.16	1665.38	1640.19	1173.54
49	INDUSTRIAL GROUP (486)	1149.14	+0.5	9.88	3.93	12.49	16.10	1143.70	1136.30	1138.68	964.53
51	Oil & Gas (14)	2066.03	+0.5	10.45	5.46	12.72	51.14	2056.75	2052.57	2050.68	1866.09
59	500 SHARE INDEX (500)	1226.97	+0.5	9.95	4.13	12.52	19.04	1221.20	1214.00	1216.07	1040.68
61	FINANCIAL GROUP (124)	726.88	+0.2	--	5.34	--	17.62	725.26	721.51	723.49	705.55
62	Banks (8)	719.21	+0.1	24.81	6.65	5.29	21.71	718.44	715.56	720.49	667.81
65	Insurance (Life) (8)	1051.02	+0.3	--	5.60	--	29.86	1047.69	1046.00	1058.52	1023.06
66	Insurance (Composite) (7)	563.37	+0.6	--	6.09	--	16.75	559.87	561.38	559.54	556.09
67	Insurance (Brokers) (7)	966.87	-0.9	7.81	6.48	17.22	31.63	976.05	969.50	966.31	971.00
68	Merchant Banks (11)	327.81	-0.1	--	4.74	--	5.93	328.27	328.00	331.12	368.07
69	Property (52)	1308.90	+0.7	6.34	2.91	20.10	15.90	1299.55	1280.72	1281.59	1236.03
70	Other Financial (31)	356.78	-1.1	11.49	6.04	11.07	8.02	360.89	360.03	360.29	385.63
71	Investment Trusts (71)	1141.24	-0.2	-	2.86	--	14.25	1143.18	1142.91	1143.09	898.39
81	Mining Finance (2)	617.58	-0.3	9.34	4.16	11.92	10.45	619.67	618.26	616.32	547.93
91	Overseas Traders (8)	1289.69	+0.5	11.60	5.75	9.74	35.07	1283.40	1276.33	1276.20	1133.93
99	ALL-SHARE INDEX (705)	1103.16	+0.4	--	4.28	-	18.53	1098.73	1092.63	1094.50	953.58

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Year ago
FT-SE 100 SHARE INDEX‡	2154.7	+10.8	2158.2	2140.0	2143.9	2129.6	2133.6	2123.0	2138.3	1844.0

FIXED INTEREST

	PRICE INDICES	Mon Jun 39	Day's change %	Fri Jun 16	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	116.96	+0.11	116.83	--	5.61
2	5-15 years	129.77	+0.26	129.97	0.53	6.86
3	Over 15 years	140.62	+0.37	140.39	0.28	7.09
4	Irredeemables	163.31	+0.32	162.79	--	6.34
5	All stocks	128.33	+0.22	128.36	0.31	6.54
	Index-Linked					
6	5 years	135.58	+0.15	135.39	--	1.36
7	Over 5 years	132.15	+0.27	132.87	0.29	1.88
8	All stocks	132.29	+0.26	132.21	0.27	1.82
9	Debentures & Loans	113.22	+0.83	113.04	0.77	5.91
10	Preference	87.62	+0.24	87.47	0.06	3.10

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jun 19	Fri Jun 16	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.03	10.07	9.04
2		15 years	9.57	9.56	9.29
3		25 years	9.39	9.41	9.18
4	Medium Coupons	5 years	11.09	11.12	9.51
5		15 years	10.02	10.07	9.49
6		25 years	9.56	9.61	9.32
7	High Coupons	5 years	11.23	11.25	9.59
8		15 years	10.24	10.29	9.63
9		25 years	9.74	9.80	9.37
10	Irredeemables†		9.39	9.42	9.23
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.85	3.89	2.64
12	Inflation rate 5%	Over 5 yrs.	3.79	3.81	3.80
13	Inflation rate 10%	5yrs.	3.04	3.07	1.59
14	Inflation rate 10%	Over 5 yrs.	3.61	3.62	3.63
15	Debs & Loans	5 years	11.86	11.91	10.31
16		15 years	11.56	11.64	10.70
17		25 years	11.26	11.37	10.74
18	Preference†		10.29	10.31	9.59

‡Opening index 2141.8; 10 am 2146.0; 11 am 2147.8; Noon 2154.3; 1 pm 2157.7; 2 pm 2158.0; 3 pm 2156.1; 3.30 pm 2155.9; 4 pm 2157.0 (a) 2.10pm (b) 9.19am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible] prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ▸ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ◊ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ◆ Unlisted securities market. ◇ Official London listing. □ Including warrants entitlement. * Third Market.

LONDON TRADED OPTIONS

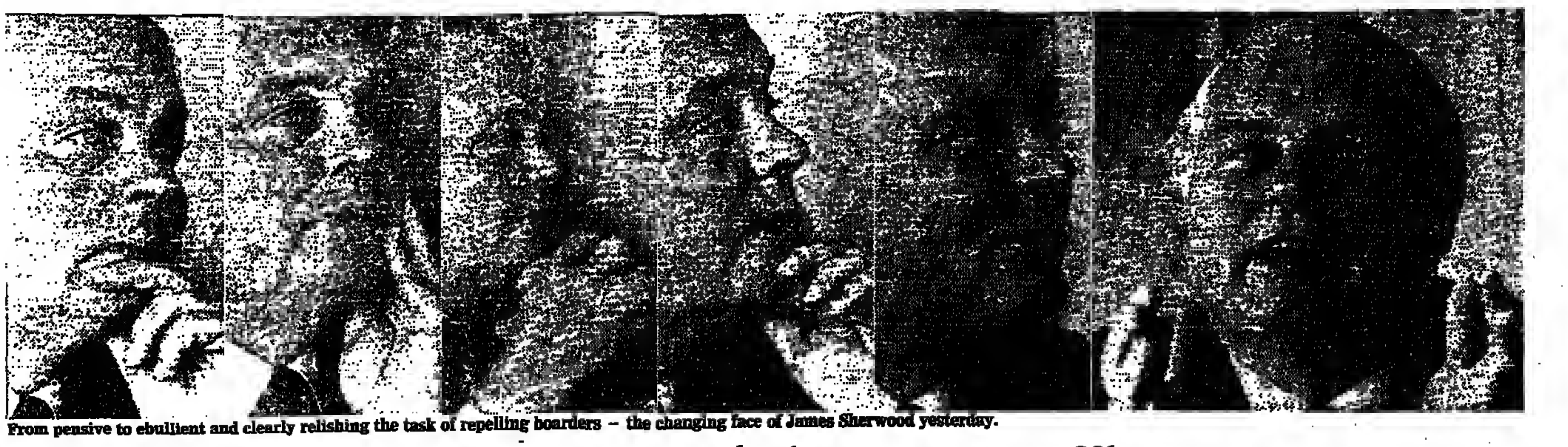
[illegible]

FT-SE Index Calls 3517 Puts 2407
*Underlying security price.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	2	12
Corporations, Dominion and Foreign Bonds	10	2	30
Industrials	488	271	828
Financial and Properties	186	92	384
Oils	31	16	47
Plantations	1	1	10
Mines	45	19	114
Others	69	62	120
Totals	922	465	1,545

UK COMPANY NEWS



From pensive to ebullient and clearly relishing the task of repelling boarders – the changing face of James Sherwood yesterday.

Sea Containers chief claims his company was valued two years ago at $2bn

Sherwood swats at the Stena/Tiphook takeover bid

By Andrew Hill

MR JAMES Sherwood has the sort of immovable bulk to which nervous ferry passengers could safely lash themselves in a storm.

Standing on the bridge of his London headquarters yesterday, the president of Sea Containers was clearly impervious to the stock market squall unleashed by his comments over the weekend.

Mr Sherwood had suggested that his plans to rescue the Bermuda-registered group from a hostile Anglo-Swedish bid would realise between $70 and $100 a share for investors.

Yesterday, as Sea Containers shares climbed to more than $72 in New York, he revealed that Lazard Frères, the group's merchant bank, valued the company two years ago at about $2bn.

That compares with the $824m price tag attached to the company by Stena, the private Swedish ferry operator, and Tiphook, a quoted UK container rental group.

"I'm also determined that whoever buys the company, it won't be Stena or Tiphook," he added, claiming that the predators would dismiss middle management if they won their bid.

But Mr Sherwood's comments – transmitted through the pages of British newspapers rather than in official announcements – have confused the market.

Speculative investors in New York have been buying into the company since Stena revealed an 8.2 per cent stake – now diluted to 7.1 per cent – two months ago.

Arbitrageurs hold about 15 per cent of Sea Containers and some have seen their holdings more than double in value.

But as one New York arb wondered yesterday: "We're all in the dark here – why should he [Sherwood] talk up the shares if he wants to mount a leveraged buy-out?"

Sea Containers, which owns Sealink British Ferries, is toying with three alternatives:

- a leveraged buy-out;
- a recapitalisation of the company;
- a "white knight" counter-bid.

Mr Sherwood said he had not talked to potential counter-bidders yet, and that he would make a move "within a month".

He also seemed resolved to keep the helm of the company himself.

Recapitalisation of the group would involve selling the ordinary dry cargo containers business – which represents about 35 per cent of the group's 280,000 standard containers – and Sea Containers' peripheral operations.

These include the group's 11 container ships and the group's 42 per cent stake in Orient-Express Hotels, which runs the famous luxury train: "I would probably buy the Orient-Express stake myself," said Mr Sherwood yesterday.

Shareholders would retain their common shares, receiving a cash dividend for the disposals and convertible preference stock, quoted on the New York stock exchange.

Mr Sherwood has also been attacking at the opposition.

The criminal record of Stena's founder, Mr Sten A Olsson, could provide one plank of Sea Containers' defence. Mr Olsson, whose son now runs the company, was convicted 28 years ago for trading with the Eastern Bloc, thus infringing a Western embargo. He was later granted a pardon by the King of Sweden.

Sea Containers is lodging submissions with the UK's Department of Transport alleging that Stena is an unsuitable buyer for Sealink, in which the Government has a "golden share".

More conventionally, Mr Sherwood has cast doubt on the financing of the deal. He claims that Scandinavian banks lending some $310m to Stena think the private ferry company is already over-stretched.

A higher offer, said Mr Sherwood yesterday, would also push Tiphook's gearing to unreasonable levels.

Stena and Tiphook, meanwhile, are speechless in the face of the hail of allegations and valuations. They are unable to pursue their offer until a temporary restraining order in Washington DC is lifted.

Holders approve Hopkinsons' sale after EGM furore

By Clare Pearson

THE BOARD of Hopkinsons Holdings, the Huddersfield-based valve manufacturar, withstood intense criticism from the floor at an extraordinary general meeting yesterday before obtaining shareholders' approval to sell Hopkinsons Ltd, its core manufacturing unit, to Weir Group, the engineering company.

Representatives of a partly management-backed consortium which had made a rival £9.7m bid decried as a "travesty" the board's decision to favour Weir's offer, which totalled £11.13m including the assumption of a £2.7m overdraft.

But when a poll was taken on the resolution to sell the unit, votes in favour stood at 43.06m, against a total number of shares of around 62m, while just 175,900 ware voted against.

Mr Bruce Sanderson, a representative of the consortium members, drew "hear, hears" from small shareholders when he said after the sale they would be left with "A tiny rump organisation with the great Hopkinsons name reduced to being used by others under licence, a handful of small subsidiary companies, and a cash injection of an unknown amount."

Mr Peter Frost, chairman, said: "What you have to understand is if we don't sell it to Weir, it closes down. There is not going to be another buyer who will be able to give us a comparable return."

Although the consortium's bid for Hopkinsons Ltd appeared to be higher than Weir's, when it was first announced it had been lower than the "cut-off" point the board had pre-determined for consideration of offers, Mr Frost said. Since then, further information about the site had led the value of all the other offers to fall, he added.

The lengthy meeting in London marked the culmination of an acrimonious four-month battle during which the consortium has sought to convince shareholders that the board failed to act in their best interests in rejecting its offer.

The offer was made in February after Hopkinsons said it would close down the Huddersfield site with the loss of 900 jobs.

Hopkinsons said it could be raising about £19m through the joint sale of the Huddersfield site, a South African subsidiary and the exercise by Weir of a twelve month option it had been granted over Hophold, a US operation.

Under the agreement with Weir, Hopkinsons Holdings will be entitled to receive 50 per cent of the net sale proceeds of the Huddersfield site over £7m.

If a sale occurs between 18 and 60 months after completion, the amount of £7m is reduced to £2.5m.

BICC launches $44m offer for Andover Controls

By David Waller

BICC, the construction and cables group, yesterday announced its second tender offer for a US company within a month.

The company is offering $44m (£28.5m) for Andover Controls Corporation, a designer of electronic systems for so-called "intelligent" buildings.

The latest move comes just days after BICC completed the $177m acquisition of BRIntec, a US cables company; it is significant in that it represents a step towards expanding BICC's technology division, by far the smallest of BICC's three "legs" and subject to numerous ups and downs in recent years.

Andover, one of the three companies dominating the $200m a year market for advanced electronic automation systems, made operating profits of $3.6m in the year to June 1988, and an identical amount during the nine months to March 1989 (the comparable figure was $2.7m). Net assets amount to $8m.

Mr Robin Biggam, BICC chief executive, said that the proposed acquisition was an important step towards creating a systems and electronics group complementary to the group's two £1bn-plus a year businesses in cables and construction via Balfour Beatty.

The Technologies division contributed £6.7m to BICC's group operating profits of £172.7m last year on turnover of £166m comapred to the group total of £2.9bn. On both counts, the division's performance was down on the previous year.

BICC's shares have outperformed the market significantly this year, partly because of the group's exposure to booming construction markets but more because of the perceived success of the group's strategy over recent years.

This has been to rationalise the cables business and to build market share all over the world via a sequence of acquisitions.

The Technology division was built up at the beginning of the 1980s as a means of diversifying away from stagnant conditions in the core business. It suffered badly in 1985 due to exposure to the computer market, and again in the following year as markets in the Middle east turned down.

It has been reorganised, with disposals amounting to £33m in 1988 alone, and is now focussed on technology which has some link with cables and construction. A new management team came on board last summer.

The tender offer is pitched at $16 per share; shareholders with 21 per cent of Andover have backed the deal.

Guinness Mahon directors advise caution in accepting Yokohama stake

By David Lascelles, Banking Editor

THE DIRECTORS of Guinness Mahon, the London merchant banking group, are advising shareholders that it might be to their advantage not to accept the agreed takeover offer by Bank of Yokohama.

At the end of last month, Bank of Yokohama agreed to buy a 61 per cent stake in Guinness Mahon from the bank creditors of Equiticorp. But under the Takeover Code, it must also make an offer at the same price for the remaining shares.

In a circular to shareholders yesterday, Mr Geoffrey Bell, the chairman, says that the board and its advisers, J. Henry Schroder Wagg, believe the offer to be fair and reasonable.

But he says that the board considers that the Bank of Yokohama will be a strong shareholder for Guinness Mahon, and some shareholders may therefore prefer to retain a stake in the company. Alternatively, they might wish to tender only part of their shareholding, he says.

Mr Bell reveals that both he and Lord Douro, the deputy chairman, intend to buy more shares in the market, and will not be tendering them to the Bank of Yokohama. This would give them an interest in retaining a public listing for the company.

Bank of Yokohama itself has indicated to Guinness Mahon that it believes it would be commercially advantageous for there to be a minority shareholding and for Guinness Mahon shares to continue to be publicly traded.

Mr Bell says he has discussed the offer with two of the main minority shareholders, Lord Kissin and Mr Robert Maxwell, but at this stage neither has disclosed whether he intends to accept it.

Bank of Yokohama, Japan's largest regional bank, is offering 146p a share in a deal valuing the group at £94.5m. The Equiticorp stake became available after the New Zealand-based company went into voluntary liquidation earlier this year. Bank of Yokohama secured it in an auction on May 24.

Creighton Labs shares drop after warning

By Clare Pearson

Shares in Creighton Laboratories, the USM-quoted natural beauty products manufacturer, plummeted 117p to 313p yesterday in reaction to a profits warning issued late on Friday night.

The warning related to the effects on results for the year to March 31 of a downturn in demand from a major customer in the US, understood to be Crabtree & Evelyn, the toiletries retailer.

Analysts' forecasts for pre-tax profits for the year just passed, which last week were expected to come out at around £1.85m, were rapidly marked down to around last time's level of £1.26m.

Analysts expressed surprise yesterday that Creighton had waited until now, just weeks ahead of its results announcement next month, to warn of problems which had become apparent in the final quarter of last year.

Mr Richard Collard, chairman, said: "I took a calculated gamble. I wanted to find out what their commitment for the autumn would be before announcing anything. Their commitment is awful."

He said he did not know why orders from the big customer, which he declined to name, had fallen so much but they appeared to be overstocked. "I'm certainly still their supplier," he said.

Purchase helps European Colour double

European Colour, formerly Horace Cory, which increased substantially in size with the acquisition of Ellis Jones, reported doubled pre-tax profits of £708,000 in the 15 months to the end of March 1989.

Turnover rose to £15.98m (£10.64m for the previous 12 months). Earnings per share were 2.07p (0.81p) and a final dividend of 0.75p is recommended for a total for the period of 1.15p (0.75p).

Moorfield Ests. rises

Moorfield Estates, the commercial and residential property developer which came to the USM in April last year, reported taxable profits up 53 per cent to £856,000 for its seasonally unfavourable six months to April 30 1989. Turnover was £3.1m (£2.97m).

Earnings per 10p share came to 2.77p (1.88p), and there is a 1.2p maiden interim dividend.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
BET ...fin	8	-	7	11.5	10
Brunner Inv Tst ...int	1.7	-	1.4	-	3.1
Cassidy Bros § ...fin	3.15	-	-	3.15	-
Crest Nicholson ...int	3	Oct 2	2.5	-	7.15
Erskine House ...fin	4.35†	-	3.8	6.25	5.2
European Colour ...fin	0.75†	-	0.4	1.15☆	0.75
Hewetson § ...fin	2.6	-	2	3.85	3
Hobson § ...fin	0.5	-	0.5	0.75†	0.5
Klein Charter IT ...int	1.075	-	0.95	-	3.25
ML Holdings ...fin	2.13†	Oct 2	1.7	2.85	2.3
Melville Street ...fin	2.5	Aug 25	1.5	3	2
Moorfield Ests § ...int	1.2	Aug 25	-	-	-
Renold ...int	2	-	1	2.9	1.5
Ryan Hotels ...fin	0.5	Sept 15	0.5	-	1.5
Sterling Pub § ...fin	4.5	Oct 1	3.3	4.5	3.3
The Reject Shop§ ...fin	2.1	July 31	-	3.15	-
TR Technology ...fin	1.5	July 24	-	1.5	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆For 15 months.

BOARD MEETINGS

TODAY

Interim- Lovell (Y.J.)

Finals- Blacks Leisure, Christie, Continuous Stationery, England (J.), GEI, Kalamazoo, Marling Securities, Meyer Intl, NSM, Osborne & Little, Reliance Security, Volex, Wellman, Wolseley.

FUTURE DATES

Interims-	
Bermuda Intl Bond Fund	June 30
Dewhurst	July 20
General Cons Inv Trust	July 14
Trillion	June 21
Finals-	
Amber Industrial	June 21
Fletcher King	June 28
Ford Sellar Morris	July 3
Latham (James)	June 21
MS International	June 27
Moorgate Inv Trust	July 14
Penny & Giles	June 29
RPH	July 11
Scotts Restaurant	July 12
Scandinavia	June 29

UK COMPANY NEWS

Hunting companies agree to merge

By Philip Coggan

A THREE-WAY merger was agreed yesterday between Hunting Gibson, Hunting Associated Industries and Hunting Petroleum Services. It will create a group, simply called Hunting, with forecast pro forma pre-tax profits of £46.6m in 1989.

The three companies were already linked by a complex cross-shareholding structure, but the Hunting family, which will end up with 33.4 per cent of the combined group, and its advisers believe that the structure led to the individual companies being under-rated by the stock market.

"Our market rating was around eight when it should have been about 12," said Mr Richard Hunting, currently chairman of HAI. The simplified structure, Mr Hunting believes, will increase the group's stock market profile and the shares' liquidity, and create a clear strategic focus.

The merged group will be an industrial holding company with four main divisions: defence, aviation support, oil services and technical. Pro forma results for the divisions in 1988 split as follows: defence £18m profits on £248m of turnover; aviation support £5.5m profits on £120m; oil £9m profits on £214m; and technical £1.4m loss on £65m.

Over the past five years, the merged group's pro forma trading record shows an increase in pre-tax profits from £9.5m in 1984 to £34m in 1988.

The merger will end more than a century of majority ownership for the Hunting family which set up in the shipping business in 1874. "It was a psychological roadblock to overcome," admitted Mr Hunting. He said the Hunting family would seek to increase its stake to between 35 and 40 per cent via market purchases.

The private company floated off HAI in the mid-1960s and then the shipping businesses were listed as Hunting Gibson in 1970. The slump in the shipping industry caused Hunting Gibson problems in the mid-1970s, in the course of which its oil interests, and those of HAI, were spun off into Hunting Petroleum. Hunting Gibson finally pulled out of ship ownership in 1983.

HAI is easily the largest of the three companies with interests in defence and engineering, aviation support and electronics. The defence business is involved in the JP233 runway bomb and the SWAARM (Smart Weapon Anti-Armour System). In 1988, the group made pre-tax profits of £26.5m and it is forecasting profits of £33.5m this year.

HAI has also agreed to buy Irvin Industries, a US manufacturar of airborne weapon retarders and parachutes, for $44m (£28.8m). Irvin made pre-tax profits of $3.25m on turnover of $65m in 1988 but its results were affected by production problems and losses on peripheral activities in Italy. Profits in 1987 were $6.01m.

Hunting Petroleum Services is involved in crude oil carrying and specialised coating products. In 1988 it made pre-tax profits of £8.7m and it is forecasting profits of £12.5m this year.

The main assets of Hunting Gibson are its 26.5 per cent stake in HAI and its 34 per cent in HPS. The company also is involved in shipbroking and has a 20 per cent stake in New England Properties. In 1988, it made pre-tax profits of £10.6m and it is forecasting profits of £13.6m this year.

The means by which the merger will be effected is via an offer by Hunting Gibson for the other two companies. The terms of the HAI offer are 1.7 ordinary shares in Hnnting Gibson and one cumulative convartible preference share for each HAI ordinary share. The convertibia preference shares carry a dividend of 8.25 per cent and are convertible on the basis of 34 ordinary shares for every 100 preference shares.

The offer for Hunting Petroleum is 0.475 ordinary shares and 1.01 convertible preference shares for every ordinary share. Based on yesterday's closing prices, the offer values each HPS share at 235p, compared with the market price of 225p, np 18p.

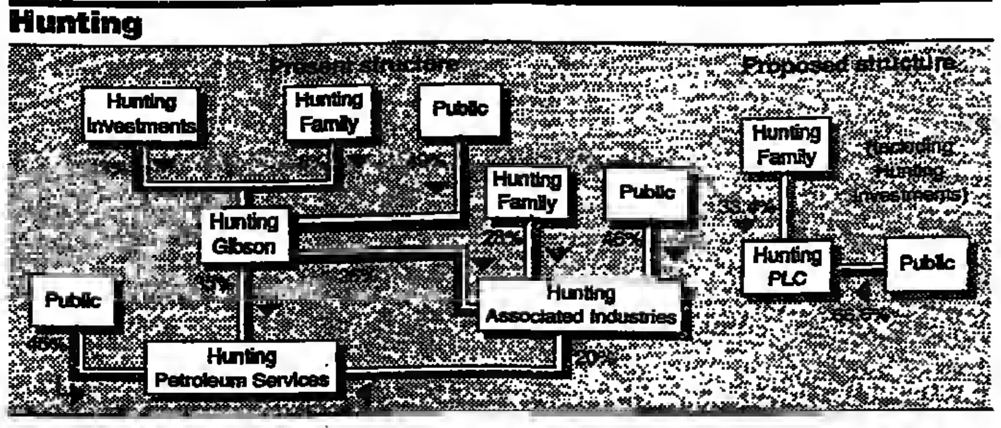
The offer for HAI values each share at 561p, compared with the market price of 555p, up 87p. Hunting Gibson shares rose 24p to 267p. In terms of market capitalisation, the offers value HAI at £158m and Hunting Petroleum at £48m.

The Hunting family stake of 27.6 per cent in HAI has been irrevocably committed to the offer, and together with the 27.6 per cent stake owned by Hunting Gibson, that means that 54.1 per cent of HAI's equity is pledged to the hid.

HAI owns 20.3 per cent of Hunting Patroleum and intends to accept the offer hnt it cannot receive new Hunting shares, since it would then hold shares in its parent company. Accordingly, it will sell the assented shares in the market. Together with the shares owned by Hunting Gibson, this means that 54.6 per cent of Huoting Petroleum'a equity is set to be committed to the bid.

The new board will comprise Mr Clive Hunting (chairman), Mr Richard Hunting (depnty chairman), Mr Ken Miller (managing director), Mr Dennis Clark (finance director), Mr Brian Stairs (executive director), Sir Richard Trant (executive director), Mr Roy Treacher (non-executive director) and Mr Bob Bensly (non-executive director).

Hunting



ANI gives undertaking not to sell Aurora

By Ray Bashford

DIRECTORS OF Aurora have been given an assurance by Australian National Industries that it does not intend to dispose of the Sheffield-based engineering company.

Consolidated Press, controlled by Mr Kerry Packer and the holder of a 48 per cent stake in ANI, gave Aurora the undertaking last week.

Mr Packer took the holding in ANI earlier this year when Australia's biggest engineering company hit severe financial difficulties. ANI paid the eqivalent of £138.1m for Aurora last December after a three month takeover fight.

Mr Andrew Wallis, Aurora's finance director, said Mr Max Sandow, ANI's new chairman, gave "an unequivocal assurance" to him Sydney last Tuesday that there was no plan to sell-off or break up.

Directors of ANI will arrive in Britain soon to take a closer look at the operations of Aurora as part of an assessment of the Australian company's international operations following the takeover by Mr Packer.

Aurora is understood to have received a several inquiries about the purchase of part of the company when the extent of the difficulties facing ANI became apparent.

Lowndes Queensway

Lowndes Queensway has exchanged contracts with clients of Dawnay Day for the sale and leaseback of 15 properties comprising Queensway and Carpetland outlets with a total of 380,000 sq ft. The gross consideration is about £19m.

Crest Nicholson advances 44% to £20.23m pre-tax

By John Ridding

CREST NICHOLSON, the building and property development group, overcame the effects of higher mortgage rates to achieve pre-tax profits of £20.23m for the six months to April 30, an increase of 44 per cent and ahead of market expectations.

Mr David Donne, chairman, described the results as "a good performance in what is a more uncertain trading environment". But he added that conditions had become more difficult since the beginning of April, with a downturn in consumer confidence and an increase in cancelled sales from 20 to 30 per cent.

Turnover increased from £115.51m to £143.82m and earnings per share rose in line with profits from 10.01p to 14.43p. There is an interim dividend of 3p (2.5p).

The company does not break down profits at the interim stage but all the group's principal businesses were said to have "improved their results significantly".

The residential housing division, which represents the bulk of group profits has been most seriously affected by the climate of higher mortgage rates. However, forward sales amount to about 500 units for the next four months and the company should achieve 1,500 units for the year as a whole – about the same as last year.

In addition, Mr Roger Lewis, chief executive, said that the company had successfully used marketing initiatives, effectively mortgage assistance, to buttress sales.

The commercial property division showed a strong improvement on the comparable period, reflecting the taking of profits on three industrial units.

Good progress was also experienced in the leisure and construction divisions, although the leisure businesses showed their customary first half losses.

To reduce the impact of higher interest rates, the group's current strategy involves the development of the two smaller divisions. For the year as a whole, the contribution of residential property is expected to decline from 70 per cent to 60 per cent.

Within the residential division there will be emphasis on smaller sites and on first time buyers.

Mr Lewis said that the group would use its strong balance sheet (currently geared at only 1 per cent) and the softer land market to expand its holdings. On current building rates, the company has land for 18 months.

● COMMENT

For Crest Nicholson, as for the rest of the sector, the question is not whether the Chancellor's tighter monetary policy will damage results but by how much. Crest, however, is one of the favourites to outperform its colleagues during the current difficulties and yesterday's numbers will do nothing to lengthen the odds. The company has not done everything right in protecting itself – a presence in the relatively buoyant north would have been an advantage – but it has been shrewd in other departments. Thus, gearing is effectively nil, emphasis has been placed on forward sales, the temptation to provide expensive land was resisted and there has been a useful diversification into commercial property. Consequently, the company is relatively well placed to endure the current constraints and to capitalise when the residential market turns. For the moment, a flat second half for residential property means that last year's second half spurt will not be repeated and that pre-tax profits will be held to about £42m. This places shares on a prospective multiple of about 6.5 – fair value given the longer term potential of its strategic land holdings.

Mr David Donne, chairman: "a good performance"

CPU profits dive 29%

CPU Computers, the USM-quoted peripheral equipment distributor, reported a 29 per cent downturn in pre-tax profits for 1988.

On turnover up 38 per cent to £47.01m (£34.08m), profits dipped from £1.21m to £864,000, partly reflecting an increase in interest and similar charges to £449,000 (£90,000).

After tax of £117,000 (£572,000), earnings per 5p share were 4.33p (3.42p).

South Green seeks relisting

By Vanessa Houlder

SOUTH GREEN Holdings, a former clock and furniture manufacturer, yesterday announced it would seek a relisting this summer, in a move that would end 4½ years of suspension.

The company, formerly Metamec Jentique, said it intended to embark on an acquisition programme which would transform it into a mini-conglomerate specialising in DIY products.

Metamec's shares were suspended in December 1984, just before the losses forced it into receivership. In 1985 it was sold to FKI Electricals and in September 1988 control of the company was returned to the management.

The shell currently consists of £200,000 and a plot of land at South Green, Norfolk, which is valued at about £500,000.

Mr Clive Faulkner, a former management consultant who joined the company in December 1983, will head the new company. He intends to relinquish his current position of managing director of Gibbs-Palmer, a private distributor of garden products.

Sir Timothy Bevan, announcing the annual results of BET, said yesterday that the international services group had had a "pretty good year".

UK COMPANY NEWS

Reduced dependence on large defence contracts

ML beats estimates with £8.63m

By Clare Pearson

ML HOLDINGS, the aerospace, defence and electrical engineering group, surpassed City expectations with a 64 per cent rise from £5.27m to £8.63m in pre-tax profits in the year to end-March.

Earnings per 5p share rose 18 per cent to 11.3p (9.6p). The final dividend is lifted 25 per cent to 2.13p, making 2.85p (2.3p) for the year.

Mr Peter Pollock, chief executive, emphasised that ML was now much less dependent on large defence contracts than it had been in the past. He said last year's split of profits was 51 per cent for defence, with the balance divided evenly between aerospace and electronic component distribution.

Underlying growth was between 25 and 30 per cent. The acquisitions that contributed were Gothic Crellon, the components company bought in February last year, Slingsby Engineering purchased in May, Lifeguard Equipment bought in October, and Radiatron and Townsend Coates, two small electronic equipment distributors acquired early this year.

During the year ML Aviation, which makes airborne weapon carriage and release systems, obtained the contract to design and supply the weapon system for an export version of the Shorts Tucano training air-craft. This was its first as a prime contractor. Production of JP233 bomb dispensers, the core contract, is in the absence of further orders, expected to end in 1991.

All other aerospace and defence interests enjoyed a buoyant year. The loss of two important franchises by Gothic Crellon was the only drawback in a year of strong growth on the components side.

Last week ML announced it had sold an option, exercisable up till June 1991, to EB Signal of Norway to buy for about £5.8m its railway signalling subsidiary in Plymouth. In the meantime, EB has paid ML £750,000 to subscribe for shares in the subsidiary, and as a non-refundable deposit.

Turnover was £111.97m (£74.07m). Before interest charges of £1.07m (£486,000), trading profit was £9.69m (£5.75m).

● COMMENT

The long preparation for the end of JP233 by gradually replacing it with a number of other, clearly defined businesses continues to go swimmingly at ML. These figures were accompanied by a particularly upbeat statement about current trading in the components distribution businesses, which eschew involvement in active components and which have been chiefly responsible for the near one percentage point rise in the trading margin in these figures. Though acquisitions have meant the balance sheet has deteriorated over the year, interest cover is still healthy at about nine times. Pre-tax profits this year should be about £10.5m, putting the shares, which have underperformed over the last year, on a prospective p/e of a little over 9.5. At a modest premium to their sector, they look fairly cheap.

Cassidy Brothers advances to £581,444

CASSIDY BROTHERS, the *Blackpool-based* toy maker which joined the USM in January, increased pre-tax profits 29 per cent from £451,492 to £581,441 in the year to April 30. Turnover rose from £3.96m to £4.43m, writes Edward Sussman.

The company said it had diversified its product line and expanded production capacity. *Cassidy makes 50 miniature* versions of brand-name appliances, such as vacuum cleaners and washing machines.

Mr Thomas Cassidy, chairman, said the company was upgrading its quality control system to achieve British Standards Institute certification, with an eye toward using the certification *to gain greater* sales on the continent. About 12 per cent of Cassidy's revenue is from exports.

The tax charge was £216,750 (£179,266), leaving earnings per share at 6.75p (5.04p). There was an extraordinary debit of £214,046, relating to the costs of the USM quote.

Shares in the tightly traded *company, with only 15 per cent* of its share capital on the market, gained 2p to 58p. A dividend of 3.15p was announced.

Mr Cassidy, who founded the company in 1945 as a maker of egg timers and crucifixes, said three acquisitions are being considered, including a paper packaging manufacturer.

Courtaulds expands US packaging side with £26m purchase

By Alice Rawsthorn

COURTAULDS, the international textiles and chemicals group, is expanding its packaging interests in the US by buying Wheeling Stamping for $40.5m (£26.1m).

Wheeling Stamping, which is based in West Virginia, is composed of two companies. Thatcher Plastic Packaging produces plastic tubes, chiefly for use in pharmaceutical and personal care products. Knight Engineering makes aerosol over-caps.

When the acquisition is completed, the two businesses will become part of Courtaulds Packaging which is already involved in complementary areas of the tube and plastics markets in the UK and US through its Betts subsidiary.

Mr Sipko Huismans, group director responsible for chemical and industrial interests, said the acquisition would enable Courtaulds to develop a tube business across both Europe and the US.

Courtaulds' films and packaging interests suffered a fall in operating profits from £30m to £27m – chiefly due to the continuing decline of Cellophane – in the year to March 31 on turnover which rose from £333m to £361m.

The group has expanded within films and packaging by making an acquisition in flexible packaging and by investing in rigid packaging and oriented polypropylene film.

Courtaulds recently reported a reduction in pre-tax profits from £221m to £197m on sales that increased from £2.4bn to £2.6bn in its last financial year. The group's difficulties were concentrated in textiles, which were hit by an increase in imports into the UK, and fibres, where demand for acrylic – the group's principal product – was depressed across Europe.

Renold recovery lifts profits 85% to £7.2m

RENOLD, which makes power transmission products and machinery, continued its recovery and lifted profits before tax by 85 per cent from £3.9m to £7.2m in the year to April 1.

Mr John Allan, finance director, said that the profits rise, while pleasing, were far from satisfactory with margins continuing to be low. The profits were struck on turnover of £145.4m (£131.5m).

In the year to March 29 1986, the company made profits of £7.6m on turnover of £129.9m. However the following year profits fell sharply to £100,000 on turnover of £128.4m.

Mr Allan added that the new management team had finished the second year in its five-year recovery plan and that the results were a forward step on the road to acceptable levels of profitability.

Sales volumes, said the company, were up 6 per cent overall, benefiting from buoyant conditions in many of the company's markets. Chains, machine tools and rotors reported particularly strong growth.

The company said that emphasis had been placed on the management of assets. This, together with a reduction in inventories and the disposal of surplus properties had contributed to a reduction of £14.5m in borrowings, bringing gearing down to 22 (57) per cent.

Earnings advanced to 3.8p (3.5p) and the directors have recommended a *final dividend* of 2p (1p) for a total of 2.8p (1.5p) for the year, an increase of 87 per cent.

Current order books are up on last year's and, subject to any unforeseen events, the company expects a "worthwhile profits increase in the current year".

SHARE STAKES

Adwest: J Saville Gordon (Commodities) and JD Saville hold 3.33m shares (5.23 per cent).
Bulgin (AF): National Westminster Bank has disposed of 672,635 non-voting ordinary. Holding now 28.8 per cent of ordinary and 6.26 per cent of non-voting.
Camford Engineering: Markheath Securities has acquired 50,000 ordinary, increasing holding to 5.26m (26.6 per cent).
Capital Radio: Radio Investments acquired 12,000 ordinary bringing holding to 1.89m (11.55 per cent).
Church & Co: Funds managed by Scottish Amicable Investment Managers sold 70,000 ordinary, cutting stake to 935,000 (8.73 per cent)
Clarkson (Horace): Framlington Group reduced holding to 1.84m ordinary shares (9.04 per cent) by selling 1.62m.
CML Microsystems: Henry John Gover sold 80,000 ordinary at 169.5p; holding now 1.1m (6.35 per cent).
Feltrim Mining : J Fitzsimions and D Kelly have acquired 499,000 shares representring 19.96 per cent of the issued share capital.
Flexello Castors: RM Menko, director, has sold 10,000 ordinary and holds 245,600 (7.4 per cent).
Frost Group: Interests of discretionary clients of John Govett reduced to 2.67m (18.89 per cent).
Jacks (William): Wyndham Group has sold 15,000 ordinary reducing its holding to 900,000 ordinary (8.31 per cent).
Parkway Group: Klaus-Peter Beckmann purchased 400,000 at 255p each; holding now 2.47m (6.1 per cent)
Peel Holdings: Competrol Establishment bought a further 100,000 ordinary and owns nearly 16.4m (20 per cent).
River and Mercantile American Capital: Water Authorities Superannuation Fund sold a further 500,000 capital shares, reducing holding to 23m (61.3 per cent).
Securiguard: Chemical Medical Investment reduced holding to 1.78m shares (9.35 per cent).
TR Energy: Henry Ansbacher Ventures owns 4.36m shares (5.037 per cent).
Takare: Singer and Friedlander speaks for 2.89m shares, including 2.69m (22.013 per cent) owned by it.

UK COMPANY NEWS

Anxieties over the effectiveness of analysis

Philip Coggan on fund managers' dissatisfaction with the quality of equity research

PHYSICIAN, heal (or rather analyse) thyself. UK equity researchers are due for a bout of navel-gazing. A recent survey found that one in four company directors thought the standard of research had deteriorated in the past year and many institutional fund managers say they are not satisfied with the service they are receiving.

"Fund managers all claim that they're not getting what they truly want, a thorough understanding of sectors and companies, and a thorough understanding of the factors that affect them," says Mr Russell Leiman, chief executive of CL-Alexanders Laing & Cruickshank's institutional equity division.

Some analysts have already lost jobs when financial services groups have pulled out of market-making. And given the cost of maintaining research teams, a substantial shake-out of analytical staff appears inevitable. In the US, a Nelson Publications survey revealed that the number of analysts fell by 12 per cent last year.

Equity market analysis has been a growth industry since the 1960s when valuation measures such as price/earnings ratios first became fashionable. When the City geared up for Big Bang, it was assumed that any broker or securities house worth its salt needed a fully-staffed research team.

The result has been quantity not quality. Many houses have persisted in providing across-the-board analytical services despite the fact that much of their research material remains ignored.

"Just take one broker's research output for a month," says Mr Barry Aling, managing director of SBC stockbroking, "and a fund manager would have difficulty in reading it."

Some deterioration in the quality of research may be explained by the pressures on individual analysts, particularly those working for houses with market-making positions.

Profits can be boosted by an analyst who makes the right stock selection; and losses can be created by an analyst who puts out a sell recommendation on a stock which the market-makers have accumulated.

The investment institutions are only too aware of the new pressures on analysts and are quick to suspect cases of "talking the book" – analysts tipping a stock which is prominent in their firm's market-making portfolio.

"The quality of research has deteriorated," says Mr Graeme Knox of Scottish Amicable. "Some houses are clearly pushing their stock positions."

Adds Mr Neil Honeybun at Robert Fleming Investment Management: "Sometimes you don't know whether the story or the line of stock came first."

"Talking the book" is not the only danger for analysts working for an integrated house. Trading volume, especially in the lacklustre post-crash stock markets, is the lifeblood of securities groups and analysts are expected to play their part in generating business.

That encourages analysts to make frequent short-term recommendations, which will prompt buying and selling of stock. "People are focusing more and more on short-term ideas rather than being allowed to take a long-term view," believes Mr Peter Scott of Gartmore Fund Managers.

This short-term fixation creates a tendency to concentrate excessively on forthcoming results announcements. But, according to SBC's Mr Aling: "Less and less value is being given by fund managers to ever more precise forecasts of upcoming interim figures."

'Talking the book' is not the only danger for analysts working for an integrated house. Trading, especially in post-crash stock markets, is the lifeblood of securities groups. Analysts are expected to help in generating business.

Often the only way an analyst can achieve a precise forecast of a result is to be guided by the finance director of the company concerned. Even then, the forecasts often turn out to be wrong because the company itself has either been over-optimistic or has erred on the side of caution. In any case, the process leads to a bunching of forecasts round the company's own estimate and a series of research notes that repeat each other.

March 1989's Earnings Guide, which collects analysts' forecasts for corporate profits, shows that for 59 of the FT-SE 100 stocks, all of the profits estimates are within a narrow 10 per cent range. And for 40 Footsie stocks, a third or more of all analysts estimate exactly the same profits figure.

The need for forecasts that generate turnover has also caused analysts to concentrate on the larger "blue chip" stocks where money can be made. Coverage of smaller company stocks is often quietly dropped.

"Small company research is suffering quite severely," believes one leading fund manager and according to Mr Scott of Gartmore, "second-rate people cover small companies".

However, many fund managers would prefer improved small company analysis to yet another note on ICI from the 20th ranked analyst in the sector. At the moment, they have to fill the gaps by using their in-house analytical teams.

A further conflict of interest faces analysts covering companies which are corporate finance clients. "Too many analysts are simply mouthpieces for the companies they cover," says Fleming's Mr Honeybun. But the analyst is in a difficult position – a sell recommendation is not likely to be appreciated by the corporate finance client.

There is a long tradition that analysts who are bearish on a client company's shares, put out a "hold" recommendation and trust that the institutions will get the message. Phone calls also allow analysts to adopt a negative tone about a client, without the glaring publicity of a written note. "There's a lot of difference between what's said and what's written," admits one prominent analyst.

Analysts are also used frequently as the standard-bearers for other departments. If a securities house is advising an acquisition-hungry conglomerate, the analysts may well be best placed to decide which companies are the most likely bid targets in the chosen sector.

Also, because analysts have access to company chairmen and finance directors, they may well be used by their houses as the front men when pitching for corporate finance business. Such work obviously reduces the amount of time they can devote to pure research and blurs the distinction between analysts and other departments.

Short-term tipsters, financial services salesmen...is there any way that analysts can return to doing pure analysis?

One obvious route is to become independent, providing research in an atmosphere free from the constraints of corporate finance and market-making.

Mr Stephen Lewis, the gilts and economics analyst, has left Phillips & Drew to establish Fifth Horseman Publications, which offers clients a weekly review of the international bond and currency markets.

He believes that in five years almost every analyst will be independent. "Securities houses will be under extra financial pressure and they will have to sub-contract their services to reduce costs," he says.

Already, there are signs that others are following Lewis' lead. Mr Stuart Wamsley, a leading chemicals analyst, has left Morgan Stanley to offer an independent service.

But independent research groups may find the going hard. There is little tradition in the UK of institutions paying separately for research – Wood Mackenzie's oil service, which does charge, has been the exception rather than the rule.

"In principle, independent analysts are welcome," says one fund manager, "but it will probably be difficult to get people to pay for research in hard cash." "Research boutiques will arrive later, rather than sooner," argues Scottish Amicable's Mr Knox.

The evidence of the New York Stock Exchange's May-day reforms in 1975 is that the "boutiques" found it hard to compete with the research coverage provided by the larger firms.

However, the position is not entirely gloomy. There are other strategies which securities houses can follow, short of hiving off their research teams.

Most fund managers seem to agree that there are still top-rated analysts producing excellent research, which might allow securities groups to concentrate on their key people. SBC, for example, has decided to focus on six industrial sectors where it thinks it has market-making strength and it is trying to build up strong analytical teams in those sectors.

Another potential solution is to build up a reputation for analytical independence and hope that this will pay off in the long run. James Capel, for example, recently became broker to Blue Arrow, the employment group, despite the fact that its analysts had marked it as a "sell" for a long period and were at the lowest end of the range of profits forecasts for 1988/89.

A few highly-rated analysts will undoubtedly prosper by providing long term research, either independently or within brokerage houses. But perhaps the right place for most analysts is not inside the big securities houses.

Capel is the only large house that has refrained from involvement in market-making and it has consistently been voted top of polls on research quality. Nevertheless, that excellence does not necessarily flow through into profit; Capel lost £32m last year.

Taking a longer-term, detached view may also profit the analyst. The short-term route is ultimately bound to be unrewarding, since short-term price movements are more susceptible to rumour than fundamental analysis. "For takeover tips we go to the sharp brokerage salesman rather than an analyst," says Gartmore's Mr Scott.

"When I first started in research, it was almost an academic subject," recalls Mr Pete Deighton, engineering analyst at County NatWest. "We used to do a lot of background work on the industry." A return to those bygone days might prove a successful strategy for some analytical teams, although fund managers used to criticise such reports as frequently too "woolly" to be of much use.

A few highly-rated analysts will undoubtedly prosper by providing such long-term research – whether independently or within brokerage houses.

So-called "buy side" analysts, working in the investment institutions, already sift through some of the mountain of research that arrives from outside and cover those companies not featured by the securities house teams.

There is no logical reason why such buy side analysts should be any less prominent than their "sell side" (securities house) counterparts.

After New York's "Big Bang" in 1975, the number of buy side analysts increased by 11 per cent over the following three years, while the number of sell side analysts fell by 20 per cent.

Perhaps fund managers will never be satisfied with the research they receive. They want independent, in-depth and consistently accurate research, but they do not want to pay for it. But given their dissatisfaction, changes in the current system appear inevitable.

Hobson profits cut to £708,000

AS FORECAST in March, taxable profits of Hobson, the acquisitive USM-quoted exporting, commodity trading and aluminium fabrication group, *showed a sharp downturn* in the year to the end of March 1989.

On turnover of £17.47m (£15.18m), profits almost halved to £708,000 (£1.4m), after an exceptional charge of £99,000 *relating* to the early termination of the service contract of finance director Mr Stephen Foale.

Directors said that the anticipated decline in African trade had a significant impact on the latter part of the year, although this was mitigated by the increasing contribution from Hobson's UK manufacturing base.

During the year, manufacturing operations contributed £405,000 to the pre-tax total, against £55,000 in the previous 12 months.

Tax took £241,000 (£478,000), leaving earnings per 5p share of 1.29p (2.69p). A recommended final dividend of 0.5p makes 0.75p (0.5p) for the year.

News International plc
USdol 150,000,000
8¾% bonds due 1991
Convertible into
USdol 150,000,000
guaranteed floating rate notes due 1991

For the period from June 20, 1989 to September 20, 1989 the notes will carry an interest rate of $9\frac{11}{16}$% per annum with an interest amount of USdol 247.57 per USdol 10,000 note.

The relevant interest payment date will be September 20, 1989

Banque Paribas Luxembourg
Agent Bank

Ryan Hotels up at I£0.36m

RYAN HOTELS has announced a pre-tax profit of I£358,000 for the half year to April 27 1989, an improvement of £527,000 on the same period last year, when the group reported a loss of £169,000.

The Dublin-based hotel chain also achieved an increase in turnover, up from £5.91m to £7.78m.

The increased profit contribution came from Le Belson Hotel in Brussels as well as the Irish hotels. The company is expecting strong growth in profitability for the year as a whole as demand is strong in both home and overseas markets.

The directors have declared an interim dividend of 0.5p net per ordinary share, the same as last year.

Taiwan Power Company
(Incorporated with limited liability in Taiwan, Republic of China)
US$100,000,000
Floating Rate Notes Due 1992

Holders of Floating Rate Notes of the above issue are hereby notified that for the next interest period from June 20, 1989 to December 20, 1989 the following information is relevant:

1. Applicable interest rate: 9.625 per annum
2. Interest payable on next interest payment date: US$489.27 per US$10,000.00 nominal or US$12,231.77 per US$250,000.00 nominal
3. Next interest payment date: December 20, 1989

Reference Agent
BA Asia Limited

June 20, 1989.

NOTICE OF INTEREST RATE

To the Holders of
International Bank for Reconstruction and Development
Undated U.S. Dollar Floating Rate Notes of 1985

In accordance with the provisions of the Notes, notice is hereby given that the above Notes will bear interest for the period from June 15, 1989 to and including September 14, 1989 at a rate per annum of 8.801% payable on September 15, 1989 in the amount of $222.46 in respect of each $10,000 principal amount of Notes and $5,561.48 in respect of each $250,000 principal amount of Notes.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, *Fiscal Agent*

Dated: June 20, 1989

General Mining Union Corporation Limited

(Incorporated in the Republic of South Africa)
(Registration number 01/01232/06)
("Gencor")

TERMS OF THE RIGHTS OFFER

Further to the press announcement of Monday, 29 May 1989 concerning the proposed rights offer by Gencor and the last day to register to participate in the proposed rights offer, Central Merchant Bank Limited is authorised to announce, subject to the conditions set out hereunder:

That Gencor will raise approximately R1,470 million by way of a rights offer of 19,602,932 new ordinary shares of 40 cents each at 7,500 cents per share to the holders of:

- ordinary shares of 40 cents each ("ordinary shares");
- 8.5% variable compulsorily convertible cumulative preference shares of 40 cents each ("convertible preference shares"); and
- *12.5% unsecured subordinated compulsorily convertible debentures of R27 each ("convertible debentures"),*

registered as such at the close of business on Friday, 23 June 1989, on the basis of 20 new ordinary shares for every 100 ordinary shares or 100 convertible preference shares or 100 convertible debentures held in Gencor at that date.

The new ordinary shares issued in terms of the Gencor rights offer will not participate in the final dividend in respect of the year ending 31 August 1989. Details of each final dividends will be announced in the press by the 23 June 1989.

The rights offer is subject to :

(a) the ordinary shareholders of Gencor approving at a general meeting to be held today, the:-

- special resolutions converting the issued and unissued authorised "S" ordinary shares into ordinary shares in the share capital of Gencor thereby providing sufficient authorised but unissued ordinary shares to implement the rights offer; and
- the ordinary resolution placing certain of the ordinary shares in the share capital of Gencor under the control of the directors.

(b) The Johannesburg Stock Exchange ("the JSE") granting a listing of the renounceable (nil paid) letter of allocation and the new ordinary shares in Gencor to be issued in terms of the rights offer; and

(c) The Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the ISE") granting admission to the Official List of the new ordinary shares in Gencor to be issued in terms of its rights offer.

Federale Mynbou Beperk (Fedmyn) and its wholly owned subsidiaries, the controlling shareholders of Gencor, have undertaken to follow its rights entitlement to 10,725,682 new ordinary shares of 40 cents each at 7,500 cents per share (approximately R804 million) pursuant to Gencor's rights offer. Fedmyn will underwrite the balance of Gencor's rights offer.

The rights offer circular, which will include the renounceable, (nil paid) letter of allocation, will, subject to the rules and requirements of the JSE and ISE be sent to the relevant shareholders and debentureholders of Gencor on Friday, 30 June 1989.

PROPOSED SUB-DIVISION OF PERMANENT CAPITAL UNITS

Following the request of certain shareholders and debentureholders the sub-division of shares was considered and consequently:-

The directors of Gencor have proposed that each of the issued and unissued ordinary shares of 40 cents each, 8.5% variable compulsorily convertible cumulative preference shares of 40 cents each and 12.5% unsecured subordinated compulsorily convertible debentures of R27 each be sub-divided into 10 ordinary shares of 4 cents each, 10 convertible preference shares of 4 cents each, and 10 convertible debentures of 270 cents each.

Shareholders and debentureholders of Gencor will be advised of the effective date of the sub-division, which date will be after the close of the rights offer, at the appropriate time through the medium of the press. Circulars concerning the sub-divisions are in the process of preparation and will be mailed to shareholders and debentureholders in due course.

Johannesburg, 19 June 1989

Merchant Bank
Senbank
Central Merchant Bank Limited
(Registration number 55/01742/06)
(Registered bank)

Sponsoring Brokers
Republic of South Africa
MARTIN & CO. INC
DAVIS BORKUM HARE & CO INC
ED HERN, RUDOLPH INC
IVOR JONES, ROY & CO. INC
United Kingdom
JAMES CAPEL & CO.

UK COMPANY NEWS

Erskine House rises 63% boosted by acquisitions

By Andrew Hill

ERSKINE HOUSE Group, the facsimile and photocopier machines distributor, increased 1988-89 pre-tax profits by 63 per cent to £15.1m, *helped by acquisitions in the* year to March 31 worth more than £90m.

Mr Brian McGillivray, chairman, said profits at existing businesses had grown about 20 per cent. In 1987-88, Erskine made £9.24m before tax.

Turnover was up from £108m to £166m and fully-diluted *earnings per share* rose to 22.8p (19.3p). A final dividend of 4.35p is recommended, making 6.25p (5.2p) for the year.

Mr McGillivray said there might be some small acquisitions during 1989-90, but the group was unlikely to issue any more shares in the current economic climate.

"Right now we are going to concentrate on getting better results out of the operations we have got – but there is still a list of acquisition prospects, and considerable opportunity to consolidate further in the industry," he said.

More energy was being devoted to developing national accounts – it already supplies Halifax Building Society with *copiers nationwide* – and improving margins from 9 per cent to a target of about 15 per cent.

In the longer term, he said the gronp would look to expand into new areas in the US, including Chicago and New York. Erskine would also add to its West German operations, bought last year.

In 1988-89, US profits grew from £3.23m to £5.47m before tax on turnover of £66.67m (£36.04m), and European profits increased to £9.63m (£6.01m) on turnover higher et £99.44m, against £66.54m.

The company made an extraordinary profit of £1.68m (£379,000 debit) on the sale of its pest control activities. Since the year-end Erskine has sold its fire security systems subsidiary, and will now focus on the fax and copier leasing and distribution business.

● COMMENT

Erskine House looks like giving followers a chance to catch their breath in 1989-90. The group *has moved comparatively* quietly into the new financial year and will probably grow organically rather than by acquisition. Perhaps the only excitement in prospect is the sale of Quest's Soviet Union business, which could pep up the shares in the short-term. The possibility of *higher interest rates* worries some observers, concerned that businesses may stop buying expensive new photocopiers, but if the worst comes to the worst Erskine's operations are shored up by the service side, which contributes about 60 per cent of profits. These results were roughly in line with expectations and the shares moved ahead by 2p to 216p, having slipped back from a high of 242p last month. They look solid on a prospective multiple of about 8, with analysts forecasting about £21m or £22m before tax this year.

Sterling Publishing rises 69%

STERLING PUBLISHING Group, the USM-quoted trade and technical publisher, reported e 69 per cent increase in pre-tax profits for the year to March 31.

On turnover up 44 per cent to £17.64m the taxable result was £2.91m (£1.72m). Mr Ronald Cohen, chairman, said that the increase was due to e number of factors. Savings had been made through the use of overseas printing and despatch; a further 12 independent titles had been introduced and the publishing of less profitable titles had been dropped; and there had been further increases in average page rates.

The reference book side performed outstandingly, said the company, with confirmed orders to March 31 up 46 per cent on last time. Turnover from reference books jumped from £10.68m to £15.61m. Slimmer magazine and Debrett's Peerage, both acquired in the period as part of that strategy, made no material contribution to profits, although the company said the longer-term prospects for Debrett's were very promising.

Cornhill Publications, acquired in November 1987, had an excellent year, Mr Cohen said, contributing £1.14m in pre-tax profits. ReActions Group had recovered well after the 1987 crash, though results at Concrete Services and SF Publications had been disappointing.

Earnings were up to 10.25p (7.34p) per share and, in line with that increase, the directors have proposed lifting the dividend from 3.3p to 4.5p.

TR Technology ahead

TR TECHNOLOGY achieved a 20.7 per cent increase in total net assets for the period May 6 1988 to April 30 1989, a performance ahead of other AITC Technology Trusts, which showed an average increase of 0.5 per cent over the year.

At April 30, the net asset value attributable to the three classes of share capital was: zero dividend preference shares 112.1p; stepped preference shares 104.9p; ordinary shares 151.7p. All three classes were valued at 100.00p on May 6 1988.

The directors have declared a dividend of 2.5p on the stepped preference share and recommended 1.5p on the ordinary shares, 7 per cent ahead of the forecast at the time of capital reconstruction in May last year.

World of Leather in £4m deal

World of Leather, the retailer of upholstered leather furniture, has conditionally agreed to buy seven leasehold premises, and certain other related assets from Lockton Retail Stores, for a total of £4.25m cash.

The purchase, which will increase the company's retail outlets to 31, will be financed through a £3.5m bank loan facility. The balance, of approximately £750,000, will be found from the company's cash resources.

Mr Ramon Benardout, World of Leather's chairman, said the acquisition represented e strategic step in the company's development, and would further strengthen and expand the company as leader in the specialist leather furniture retailing market.

In 1988 World of Leather reported pre-tax profits of £2.08m (£750,000) on turnover of £23.34m.

Hewetson more than doubles to £1.82m in year

Hewetson, the USM-quoted manufacturer, supplier and installer of raised access and hardwood floors, reported pre-tax profits more than doubled from £779,000 to £1.82m for the year to March 31.

The directors said that Bennett Windows had increased its turnover and profit and was increasing its market penetration. Steps were currently being taken to acquire additional production and storage space, so as to increase manufacturing capacity.

The results show that margins have improved from 6.42 to 8.46 per cent. Turnover was £24.73m (£14.5m) while the operating profit had risen from £931,000 to £2.09m. Interest paid was £271,000 (£152,000) and tax took £641,000 (£275,000) leaving earnings at 13.54p (8.13p) undiluted and 12.31p (7.907p) fully diluted. The dividend goes up from 3p to 3.85p with a proposed final of 2.6p (2p).

MTS family saga continues

By Edward Sussman

THE FAMILY saga at Meat Trade Suppliers, which provides sausage casing and bntchers' sundries snch as knives and wrapping paper, will continue at least until July 7.

A packed extraordinary general meeting on Friday in a cramped top-floor office in the heart of Smithfield agreed to defer until then the proposed removal as e director of the company's 83-year-old founder, Mr William Anstis.

Mr Campbell Allan chaired the meeting on behalf of his wife, Mrs Samantha Allan, who is also Mr Anstis's daughter. She replaced her father as chairman in November.

The Allan camp, backed by M&G, Britain's biggest unit trust group and a 16.5 per cent shareholder in MTS, has indicated thet it supports the development of company-controlled properties, in particular, the sausage casing factory. Mr Anstis has opposed this.

Mr Richard Hughes, an M&G representative who seconded Mr Allan'e motion to delay the vote on removal, said afterwards that his group was prepared to wait three weeks to reach an amicable settlement with Mr Anstis – most likely his resignation instead of removal. But should an agreement not be reached: "We've made our position clear," he said.

What remains unclear is the status of an 18 per cent block of shares held in a trust for the Anstis grandchildren. Trustees include Mrs Allan and her father. Neither camp would comment on legal wrangling over which side has the right to vote the stake. If the trust can be voted for the Anstis faction, it is not certain if the Allan camp has sufficient support to outvote Mr Anstis and his three other children.

For his part, Mr Allan indicated during the shareholders' meeting that he was pressing to resolve the dispute without a vote. "It's in the better interest of the company," he said.

But amicable relationships may prove easier to talk about than to enact – the sole dissenting vote to the motion for a three-week delay came from Mr Anstis, who then promptly retreated to a closed office to discuss strategy with his attorneys and other children.

Reject Shop rises 33% but warns of 'dismal' first half

By Vanessa Houlder

Anthony Hawser: furniture sales hit by interest rates.

THE REJECT Shop, the household goods retailer which joined the USM last June, yesterday announced a 33 per cent rise in pre-tax profits from £1.1m to £1.46m for the year to March 19.

Mr Anthony Hawser, joint managing director, warned that the group expected a "particularly dismal" first half, which would see a downturn in profits. Trading so far has been weak, due to the effects of high interest rates exacerbated by hot weather and underground strikes.

High interest rates had a particularly adverse effect on furniture sales, through the combined effects of depressing consumer spending and reducing house purchases, he said.

Last December, the company also gave a warning that its second half results would be affected by the consumer squeeze. In the event, trading was "reasonably good" over the Christmas period and second half profits advanced 18 per cent to £1.23m (£1.05m).

Mr Hawser said that, given the uncertainty, the company was confident that it could be among the better performers. It had prepared for tough trading conditions by maintaining a conservative stock position and had been able to extract improved terms from suppliers, he said. Aggressive pricing and promotions had enabled the group to increase sales in certain areas, such as upholstery.

Turnover increased 25 per cent to £16.26m (£13.02m). Interest received amounted to £73,000, compared with charges of £62,000 last year.

During the year stores were opened in Croydon and Guildford. The scheduled opening of its sixteenth store at Whiteleys, Bayswater, has been postponed from May to the end of July as e result of problems experienced by the developers in meeting fire regulations.

The company said that contracts should shortly be exchanged on another major store and other similar units were in course of negotiation.

The Reject Shop was set up in 1973 to sell "seconds" – goods having tiny defects – at substantial discounts but it has switched to selling "firsts", although it still appeals to price-conscious customers.

Earnings per share increased 20 per cent to 9.15p (7.63p). A final dividend of 2.1p is recommended, for a total of 3.15p – as indicated at the time of the flotation.

Policy change at Melville

MELVILLE STREET Investments, the venture capital company managed by British Linen Fund Managers, a subsidiary of the British Linen Bank made investments totalling £23.66m in the year to April 30, a fall of some 7 per cent on the previous year.

Net assets per share at that date stood at 141p (138p)

Mr George Philip, chairman, said the board had made a significant change in policy to place greater emphasis on providing finance for management buy-outs and the development of existing companies.

This was expected to prove more profitable than Melville's former concentration on high-tech and start-up companies, he said, although investment in these areas would continue.

Pre-tax profits for the year amounted to £851,580 (£693,311), while earnings per share rose to 3.4p (2.6p). A proposed final dividend of 2.5p makes 3p (2p) for the year.

FT LAW REPORTS

Tax inspector should disclose basis for production notice

REGINA v INLAND REVENUE COMMISSIONERS EX PARTE TC COOMBS & CO
Court of Appeal (Lord Justice Parker, Lord Justice Bingham and Lord Justice Taylor): May 26 1989

A TAX inspector's duty not to reveal his sources of information when conducting a tax inquiry should not, in the absence of pending prosecution, prevent him from disclosing the basis of his opinion that certain documents contain information relevant to the inquiry; and a notice requiring their production will be quashed on the ground that the opinion is unreasonable if the addressee produces positive evidence which is irreconcilable with its having been reasonable, and the inspector produces no factual evidence to the contrary.

The Court of Appeal so held (Lord Justice Bingham dissenting) when allowing an appeal by stockbrokers, T.C. Coombs & Co, from Mr Justice Schiemann's decision in the Divisional Court, refusing judicial review of a tax inspector's production notice.

LORD JUSTICE PARKER said that on April 1 1987 a tax inspector gave Coombs notice under section 20 (3) of the Taxes Management Act 1970, requiring them to deliver client account files on 12 companies, for the purpose of an enquiry into the tax liability of their previous employee, Mr T. P. Ramsden.

The notice was withdrawn, but was replaced by a fresh notice dated January 6 1988.

The second notice required production of all client account statements relating to business transactions between 1980 and 1986 in respect of seven companies, including a company called Hereford Securities & Management SA, and in respect of Mr Ramsden.

The notice was endorsed with the consent of a general commissioner.

Coombs were given leave to move for judicial review in respect of the notice. Mr Justice Schiemann dismissed the application. Coombs now appealed seeking an order that the notice be quashed in respect of all the companies except Hereford Securities, and a declaration that Coombs had complied with the notice in respect of Hereford.

The tax inspector's power under section 20(3) was very wide. It was a power, for the purpose of enquiring into a taxpayer's liability, to require another person to deliver or make available documents which in the inspector's "reasonable opinion," might contain relevant information.

A notice was not to be given by an inspector except with the consent of a general or special commissioner. The commissioner was to give consent only if satisfied that the inspector was justified in proceeding under section 20.

The commissioner and the inspector would have signed declarations pursuant to section 6 of the Act, containing undertakings not to disclose information received in the course of their duties. Coombs had obtained Mr Ramsden's consent to provide the Revenue with all information relating to his affairs, and as far as they were aware, they had done so. They had also provided, with the client's consent, all documents relating to Hereford Securities – although they contended they were not obliged to do so.

The six companies named in the second notice other than Hereford were Coombs's clients, but so far as they were aware, were not clients of Mr Ramsden and had no connection with him. Mr Ramsden deposed that none of those accounts had ever been dealt with through him. Affidavit evidence was given by directors of those companies that Mr Ramsden had never had any dealings with them.

The Crown did not accept that Coombs had disclosed all documents relating to Hereford, and did not accept the evidence that the six companies had nothing to do with Mr Ramsden.

As to Hereford, that was a pure question of fact, and there was no evidence whatever to contradict Coombs's evidence.

As to the six companies there was evidence from the inspector that he held the relevant opinion. He said he was unable to accept the evidence of the representatives of the six companies, but did not say why.

Neither the Crown nor the court had any *information* or evidence as to the basis of the inspector's opinion. There was nothing to show that what prompted the requsst in respect of the six companies was confidential information.

The Crown contended it was not obliged to givs reasons, *that no* adverse *inference* could be drawn if it failed to do so, and that no challenge could succeed unless the recipient of a notice could satisfy the court that no inspector could have formed the reasonable opinion required.

The Crown placed great reliance on *Rossminster [1980] AC 952,1013*, which concerned the entitlement to enter and search premises if there was reasonable ground to snspect tax fraud, to obtain evidence for criminal proceedings. The Revenue had refused to disclose its reasonable grounds, claiming immunity.

Lord Wilberforce said "it would generally be wrong to require disclosure in a civil case of anything which might be material in a pending prosecution; but after a verdict has been given or it has been decided to take no proceedings there is not the same need for secrecy." Lord Diplock said the public interest in immunity from disclosure was in general temporary in nature.

At page 1,013 he said that the presumption that the officer acted *intra vires* could only be displaced by "evidence of facts which cannot be reconciled with there having been reasonable cause for his belief that the documents might be required as evidence . . . " There were three public interests involved: (a) the temporary public interest in non-disclosure of information pending a prosecution; (b) protection of the public from unwarranted interference with use or enjoyment of property; and the administration of justice.

The third public interest in the administration of justice was clearly present, bnt the case differed from *Rossminster* where the protection from giving reasons was both obvious and temporary and where there was conflicting factual evidence. Here the evidence, unanswered as it was, certainly established a *prima facie* case that the inspector could not have formed the reasonable opinion required.

Even without the support of any inference from the failure to give reasons, the evidence stated facts which could not be recociled with the inspector's having had the required reasonable *opinion*. An inference could, however, be drawn.

The Crown had declined to give reasons. It had not sought leavs to cross-examins Coombs's affidavit evidence. It had not given any evidence as to the basis on which it was contended that Coombs was subject to section 20(3).

The court was *faced* with a blank wall which impeded the administration of justice. Unless it had access to the evidence it could not carry out its function to see whether any inspector could reasonably have formed the required opinion. In the case of a pending prosecution and conflicting *evidence of fact* it might temporarily be prevented from doing so. In the present case it was not so prevented.

The appeal shonld be allowed and the second notice quashed in so far as it related to the six companies. In relation to Hereford it was declared that Coombs had complied with the notice.

LORD JUSTICE BINGHAM dissenting, apart from on the Hereford point, said the onus was on the applicant for jndicial review. It made it very hard for Coomhs to show that the inspector's opinion must have been unreasonable when a *responsible commissioner* who saw the material on which the inspector relied plainly considered it to be reasonable.

LORD JUSTICE TAYLOR concurring with Lord Justice Parker said that Coombs had made out a positive case that the inspector's opinion was not reasonable. In the absence of any evidence in rebuttal, their appeal should be allowed.

For Coombs: David Goldberg QC and Edward Bailey (Edwin Coe).
For the Crown: Philip Vallance QC (Inland Revenue solicitor).

Rachel Davies
Barrister

TECHNOLOGY

News smuggled out of China with high-tech help

The modern communications network in China, which has enabled such graphic reports of the events in Tiananmen Square, Peking, to be broadcast to the outside world, could also prove a stumbling block to the authorities in their attempts to stamp out the pro-democracy movement.

That network is enabling eye-witness reports to be sent out of the country; and it is relaying into the People's Republic vital information about what has happened – in spite of the severe restrictions on anything other than official news.

In particular, the growth in the number of facsimile (fax) machines and personal computers (PCs) has facilitated the flow of information, says Saiman Hui, managing director of International Data Corporation (IDC) China, which is based in Hong Kong. "I think the authorities did not expect that modern equipment could be used to get so much information into China," says Hui. "It's hard to tell what the authorities will do now. They need to import foreign equipment if they want to continue their modernisation programme."

This influx of uncontrolled information about the crisis has not escaped the attention of the authorities. Just as they are reported to have confiscated sackloads of mail crossing the border from Hong Kong, David Noble, editor of the magazine Computerworld Hong Kong, says that they have begun the more difficult task of identifying and disconnecting fax machines. Would-be callers only hear the ringing tone, whereas telephone lines were buzzing with messages in the days following the Tiananmen Square massacre.

Before the clampdown, the rapid increase in sales of high technology equipment to Chinese companies and institutions, such as schools and universities, over the past five years had made the exchange of information much easier. Between 1983 and 1987, for example, US companies were licensed to export almost $7.8bn of computer equipment to China.

However, the penetration of telephones is still low – there are only 8m in a country with a population of more than 1bn. Penetration in the large cities, such as Peking where most of the reported clashes have occurred, is higher with about four telephones for every 100 people.

Compared with the west, the number of PCs and fax machines is also low. IDC China estimates that there are now about 340,000 PCs in the country (compared with an estimated 1.85m in the UK's business sector alone) and about 10,000 fax machines. Five years ago, however, the figures were minimal.

The rapid improvement of the telephone network has involved service providers, such as Cable and Wireless, of the UK, Nynex, of New York, and most of the international telecoms equipment manufacturers.

And there are pockets of service with a surprising level of sophistication, as demonstrated to television viewers in the US when one news reader reported back from Tiananmen Square using a portable cellular telephone. Jessica Lipnack, president of the Networking Institute, of Massachusetts, a high technology research and consultancy group, says: "We can drive 75 miles outside Boston and not get that sort of service."

One way of getting information out of China has been through the computer networks installed by international companies. Many of them – particularly in high technology fields – have computer links with their private international networks. As many of the China-based employees have fled the country, they have left behind access to these networks.

Lipnack says that her company has been shown packages of messages, authored in China, sent out of the country using computer networks put in place by US multinationals. The messages describe in graphic detail the events in Tiananmen Square and the army manoeuvres in Peking. "If I read some of these to you, they'd just make you shudder," she says.

Della Bradshaw

A testing time for 'natural' foodstuff

Della Bradshaw reports on new techniques for keeping dangerous microbes at bay

Salmonella, listeria and now botulism have become part of the everyday English vocabulary because of the recent spate of food poisonings. As a result, both foodstuff and their producers have come under the microscope.

Many food manufacturers believe that they are caught in a vicious circle. With the trend towards healthier eating habits, food companies have bowed to consumer pressure and reduced preservatives in food – sugar and salt, as well as chemical preservatives. The result has been an erosion of the shelf-life of foodstuff.

"Bacon is a good example," says Professor Alan Holmes, director of the British Food Manufacturing Industries Research Association, at Leatherhead. "It used to be fairly salty and have a fair amount of nitrates and nitrites in it. It was transported in an unrefrigerated lorry, sold from a grocer's shop and stored at home in the larder. You couldn't do that with the bacon we get today: it has to treated in almost the same way as raw meat."

The growing public demand for additive-free foods is coupled with a continuing change in shopping habits towards buying in bulk from one source. As Anne Nash, of the Institute of Food Research, headquartered in Reading, puts it: "People want to have natural foods, and they still want to shop just once a week".

One way in which food processing companies are responding to the challenge is to look for naturally produced preservatives, rather than a string of chemical additives. The bacterium which produces lactic acid is one of the more promising additives for food preservation. Used for centuries to ferment and preserve dairy products, such as yoghurt and cheese, it is also used as an additive to preserve some meats, such as salami.

Research into the substance, carried out by the UK Government's Institute of Food Research, suggests that the micro-organisms which produce lactic acid also produce a variety of microbe killers which could be used more widely. The institute hopes that it will be able to modify these substances to produce derivative compounds which will be more effective at killing a shopping list of microbes.

Other traditional acids produced by fermentation, such as the acetic acid in vinegar, are also being looked at as a way of preserving food. Acetic acid is already used as a preservative in bread, for example.

Research is continuing into a number of other substances classed as "natural". They include essential oils, such as orange essence and garlic, all of which have anti-microbic properties. However, the problem with all these natural substances is that they have a strong taste and so are unlikely to be used in a wide range of food preparations.

Another way of inhibiting the reproduction of poisonous organisms is through packaging methods. Research is being carried out into forms of preservation which work by juggling the proportions of gases contained within packages. The fresh meat already sold in most supermarkets, for example, is packed in airtight containers in which about 25 per cent of the cocktail of gases is carbon dioxide – compared with less than one per cent in the atmosphere. The high proportion of carbon dioxide inhibits the growth of aerobic organisms (which thrive on oxygen), including listeria and salmonella.

More controversial is irradiation, which doses food with radiation (gamma or X-rays) to kill off dangerous organisms. But it has been claimed that, if not properly regulated, the method could be used to clean up contaminated food to put it back into the marketplace.

The Government has decided that irradiation has an important role to play in combating certain microbes, such as salmonella. And so it is expected to authorise use of the process in the forthcoming Food Bill.

In the meantime, identification of infected food before it leaves the factory is one way of preventing further outbreaks of food poisoning. But because testing is usually done on a production sample, it can overlook killer organisms present in single cans, a particular problem in the case of botulism. And as the testing equipment is costly and space-consuming, many smaller food production companies are reluctant to install it.

The change in food culture – the move towards chilled products, additive free recipes and fast food – has been shadowed by the introduction of rapid food tests, which take only hours to detect dangerous organisms in food, rather than days under the old regimes. A lot of work is also going on to make the tests specific to certain organisms, rather than just doing a general "bug count".

One of the most widely used is the Malthus test, developed by the Government's Torry research Station in Aberdeen and used by food manufacturers and large retailers. It works by softening the food in a liquid medium and then inoculating the resultant liquid into a cell. An electrical charge is passed through the liquid and the electrical response is measured by computer. From that response, the computer can calculate how many unwanted organisms are present.

The Malthus test can already isolate salmonella bacteria and it is being developed so that it can identify other organisms, such as listeria. It would do that by changing the liquid (medium) in which the food is soaked.

A more sophisticated method of discerning the presence of such organisms involves genetic engineering techniques. Test equipment, developed in the US and now entering the UK market, can spot both salmonella and listeria organisms by their DNA, the building blocks of genetic material.

However the organism which causes botulism – spores of Clostridium Botulinum – is much more difficult to detect. That is because it is anaerobic and so can breed in cans of food with no air present. For that reason, the most common way of inhibiting the deadly organism is to kill it by heating the cans to a sufficiently high temperature for a sufficiently long period.

To do that, companies have to ensure that they have developed a manufacturing process which adheres to the minimum requirements for canned food production. Both food processing companies and the genetic engineers agree that although new types of preservatives and methods of testing are useful in restoring public confidence in the food chain, it is the efficient working of the production cycle that has the most significant bearing on the safety of processed foods.

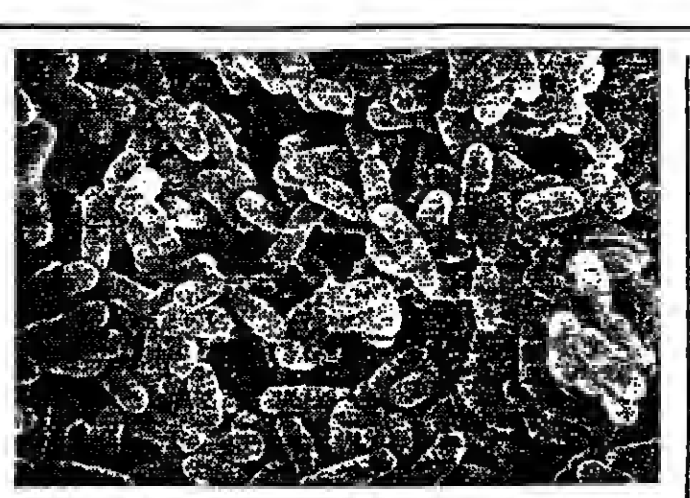
As a result, the food legislation being considered by the Government could give trading standards officers the power to enter some establishments and check the production process.

To help manufacturers operate in ways that minimise the risk of food contamination, the Institute of Food Research is compiling a database with information pertaining to the food manufacturing process. The combinations of production times and processing temperatures can be quite complex. When trying to avoid the spore causing botulism, for example luncheon meat, which is canned with a number of preservatives, does not need to be heated to such a high temperature as preservative-free meats. The high acid content of foods such as fruit or tomatoes also inhibits the spread of the spore.

When the database is released into the commercial environment, companies will be able to feed in their proposed process and match it up with approved production methods to ensure that they meet the safety requirements for that type of food.

But while the research institutions are beavering away at finding new preservatives, methods of testing and predictive models to help food processing companies, the food industry may need some persuasion before it adopts them.

The Leatherhead centre, for example, has developed a way of detecting whether a packaged meat sample, displayed on the supermarket shelf, is safe to eat. It does this by measuring the amount of organism-produced hydrogen passing through the packaging – the more hydrogen the more organisms are present. But, says Holmes, no commercial organisations have shown any interest in purchasing the tool. "They prefer to rely on the sell by dates."



Source: Leatherhead Food RA

● Above: Listeria. The original scanning electron micrograph magnified the bacteria 15,000 times

● Right: Salmonella Typhimurium. The flagellae have been labelled with gold particles which specifically attach themselves to salmonella, so identifying the bacteria in the microscope. (Transmission electron micrograph, magnification 30,000 times)

A 'pipe' that eases breathing problems

By Paul Godden

A PORTABLE device for people suffering from lung complaints, such as bronchitis and asthma, has been developed by VarioRaw Percutive SA, of Aubonne in Switzerland.

The Flutter VRP1 improves pulmonary ventilation and eases expectoration through a series of positive air pressure pulses, which are generated as the patient exhales into the mouthpiece.

Although the technique is well proven, patients have previously had to use a face mask or a method involving a vessel of water. The more traditional systems are active and supply artificial back-pressure, the new one is passive.

The Flutter, which is 10 cm by 4 cm and weighs 100 grams, looks like a short, plastic tobacco pipe with a perforated cover. Its contains a stainless steel ball which sits in a cone in the pipe's bowl. When the patient exhales, the breath is momentarily blocked by the ball, causing pressure to build up in the bronchial system.

As the patient continues to breathe out, the ball rises and lets the breath escape for a few milliseconds. The ball then drops back into its cone and supplies a further pressure pulse. Continued exhalation causes the ball to oscillate, which provides a regular train of sinusoidal pressure pulses.

Claude Liardet, managing director of VarioRaw, says that this sinusoidal pattern is crucial. He claims that some systems supply sharp pulses which could be harmful.

The Flutter has been tested on more than 1,000 patients. Their acceptance of the Flutter has been high, with the majority stating that it has helped with expectoration.

One series of clinical trials, conducted by the Cantonal University Hospital in Lausanne and the Vaudoise Cantonal School of Physiotherapy, involved patients suffering from cystic fibrosis. They showed an increase in expiratory flow rate after only one session.

Companies from Britain and Sweden have shown an interest in making and marketing the Flutter.

COMMODITIES AND AGRICULTURE

China forced to import steam coal

By Gerard McCloskey

CHINA, ONCE tipped as the next great coal exporter, is beginning to import steam coal. The first of 10 shipments in a large contract for South African coal was unloaded in the southern province of Guangdong last week.

Guangdong, like many of China's provinces, is critically short of coal and has already instituted a programme of rolling blackouts. The China Coal Import Export Corporation insists that no Chinese company is involved in purchasing South African coal. In fact the coal is being imported through a Guangdong trading house located in Hong Kong. It is being shipped through the Mozambican port of Maputo.

The steam coal import have come as a great surprise to many in the international coal industry. Although the CCIEC wishes either to deny or wash its hands of the Guangdong business, it last week admitted that imports would be needed from the end of this year. Rooghin Hu of the CCIEC Brussels-based company, Sinouro, said at an international conference in Cartagena, Colombia, that 500,000 tonnes would be required annually.

Imports will be confined to provinces which have both the long-term need and the wherewithal to purchase the coal. This effectively limits potential purchasers to provinces hosting special economic zones. Most attention has been focussed on Shanghai and Guangdong both because of their relative wealth and because of their access to large port capacity.

China's difficulties as a supplier have long been portrayed as problems of infrastructure. And this, so apologists explained, would be solved once the 100m tonnes-a-year railway from Datong in Shanxi province to the large coal terminal at Qinhuangdao comes into operation. (Shanxi produced nearly a quarter of China's 1988 production of 980m tonnes). The line is now in place but sufficient new rolling stock will not be available for another five years. But it is becoming clear that an efficient railroad will only reveal a widening supply shortfall.

In two crucial provinces – in Shanxi and in Guizhou in the south west of China – the size of the problem is already clear. In Shanxi, production from the small township and private mines which were responsible for the bulk of the expansion of China's output until last year, is ceasing to rise. Output growth which had run at 20 per cent until last year has stuttered to a halt. Provincial Governor Wang Seng Hao has warned that exhaustion of shallow seams was making production more expensive, that costs were rising and that mines were suffering from a shortage of labour. He added that output growth throughout China would dwindle to zero within two years.

In Guizhou, a major exporter of coal to neighbouring provinces, the situation is equally critical. Demand on the Guizhou mines from the construction of power plant within the province is set to double to 63m tonnes by 1995. But a lack of investment has meant that, instead of rising to meet this demand, production is on the way down. This year it is expected to fall below 30m tonnes.

Mounting supply concern lifts copper

By Kenneth Gooding, Mining Correspondent

THE PRICE of copper surged on the London Metal Exchange yesterday after traders and consumers digested news from around the world about further interruptions to supplies.

● Gecamines (Generale des Carrieres et des Mines) the state-owned Zairian group, declared *force majeure* on its copper products refined in Belgium by Metallurgie Hoboken-Overpelt (MHO).

● It became clear that the situation at Bougainville Copper, in Papua New Guinea, had worsened over the weekend because of further violent attacks by rebel landowners.

● The threat of further supply interruptions in North America became more pronounced when employees at Noranda's copper facilities in Montreal, Canada, late last Thursday rejected the company's "final offer" for a new three-year agreement.

Negotiations about a new labour contract at Magma Copper in the US are also not going well.

● The LME revealed yesterday its copper stocks had fallen by more than 50,000 tonnes in the past month after a decline of 11,500 tonnes last week to 84,850 tonnes.

Gecamines said that between 150,000 and 200,000 tonnes of its annual copper supply was refined at MHO's facilities at Olen. There would be no delays to *shipments of about 200,000* tonnes of unrefined copper Gecamines ships directly to customers annually.

A strike by employees of MHO, Europe's biggest copper producer with an annual output of about 300,000 tonnes of refined copper, started on June 8 and the company declared *force majeure* on all its copper sales last week.

Bougainville, which accounts for about 2.5 per cent of the non-Communist world's copper production, had already closed down for a month and declared *force majeure* on some copper concentrate shipments.

Traders now do not expect Bougainville to return to normal for many months.

All this news combined to push the LME Grade A copper price for immediate delivery up by £33.50 a tonne yesterday to £1,744.50 and the three-month price advanced by £42.50 a tonne to £1,707.50.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+7,425	to 119,350
Copper	−11,500	to 84,850
Lead	+1,875	to 36,200
Nickel	−534	to 2,262
Zinc	+2,050	to 29,150
Tin	+400	to 405
Silver (oz).	+24,000	to 9,106,000

UK plans environment boost for land set-aside scheme

By Bridget Bloom, Agriculture Correspondent

BRITAIN IS to introduce the European Community's first-ever scheme to pay farmers to follow good environmental practices on land taken out of arable production.

Farmers in seven cereal-growing counties in eastern England will be paid up to £120 a hectare in addition to up to £200 a hectare they can already receive for fallowing their land under agreements with tha Government.

Announcing the new scheme yesterday, Sir Derek Barber, chairman of the Countryside Commission, which has drawn up and is to administer the scheme, said he expected it to be "a roaring success".

Its principal aim would be to redress some of the damage done to Britain's countryside by intensive arable cultivation. The scheme would help restore hedgerows woodland and grass meadows to something like their original state.

Sir Derek, who has fought hard to get government support for the scheme, acknowledged that it would be small to start with. No more than 400 farmers are thought likely to qualify intitially, while grants are to be cash limited to a total of £400,000 this year and £650,000 in 1990-91 season.

However, if this "very exciting" scheme proved as successful as he believed it would, Sir Derek asked: "Can you imagine *that more money will not then* be forthcoming?"

The new "countryside premium for set-aside land" is described by the Countryside Commission, the Government's official adviser on country matters, as an "environmental top-up" to the arable land set-aside scheme introduced by the Government last year.

All EC governments were required to introduce set-aside, *though farmers* are free to participate or not. The scheme is jnstified hy Community as being cheaper than buying and storing unwanted cereals at public expense.

In Britain last year, while some 24,000 farmers registered thsir land, only some 1,800 actually entered the scheme. Britain pays farmers between *£130 and £200 a hectare* a year for five years. The estimated cost will be £11m this year rising to £22m in 1990-91.

The EC set a normal limit of Ecu 600 (£400) a hectare and Germany, which offers closest to this ceiling, has registered the largest number of applicants, at around 9,000 farmers.

THE UK Government announced yesterday that It was considering the introduction of pilot schemes for less intensive *rearing of cattle and* sheep with farmers being paid to reduce livestock numbers.

Under a European Community agreement, member states *are required* to prodnce such so-called extensification schemes hy tha year's end. However, the Ministry of Agriculture made it clear in London yesterday that it believed they could be costly and difficult to monitor.

The ministry has asked for reactions to the concept of the pilot schemes by the end of August, following which specific areas would be designated. Compensation envisaged is between £8 and £12 for "each ewe reduced" and between £30 and £50 per head for cattle.

Earlier this month Mr Henri Nallet, the French Farm Minister, acknowledged in an interview that France had set its rate too low to attract more *than a few* hundred farmers. He suggested payments would be raised this year.

However, Britain is the only country to link set-aside payments to care of the environment. Explaining the new scheme yesterday, Mr Bob Roberts, the Countryside Commission's conservation director said it would apply only to those farmers who decided to fallow their land, rather than to plant trees or turn it to other allowahle uses.

There would be five categories *of grants*, ranging from payments of £45 a hectare for creating a habitat attractive to wild-life, to £85 a hectare for managing hedgerows, woodlands and creating new ones, and £120 a hectare for creating "new areas of grassland for the benefit of wildlife and for quiet countryside enjoyment by the local community."

One option "of limited interest", since it would apply only to a narrow coastal area, would be to "create winter grazing for Brent geese as a means of minimising grazing damage to winter cereal crops elsewhere." Finally, farmers could propose their own schemes to the Commission, Mr Roberts said.

The premium scheme will *apply to the seven counties of* Bedforshire, Cambridgeshire, Essex, Hertfordshire, Northamptonshire, Norfolk and Suffolk. It will be paid for by the Department of the Environment, rather than the Ministry of Agriculture, which pays for and runs the "regular" set-aside programme.

Non-OECD energy demand growing

By Maurice Samuelson

ENERGY DEMAND in the Third World and Communist States has doubled over the period since the first international energy shortage.

This emerges from a study by the Paris-based International Energy Agency, formed in response to the Middle East oil crisis of 1973-74 and growing world energy shortages.

The agency, in its first detailed compilation of production and consumption statistics covering the entire world, says it illustrates the growing demand for energy in the developing and Communist countries – which do not belong to the Organisation of Economic Co-operation and Development.

It also shows the changing position of the Organisation of Petroleum Exporting Countries, whose share of world oil production over the 17 year period fell from about 50 per cent to 32 per cent.

On the demand side, while the OECD's energy needs rose by 22 per cent, the non-OECD states' share of the world's primary energy requirements grew by nearly half – from 37 per cent in 1971 to nearly 50 per cent in 1987.

The non-OECD countries needs in 1987 totalled 3.73bn tonnes, oil equivalent, out of a world total of 7.62bn.

In developing countries, total energy demand rose by 164 per cent from 459m tonnes, oil equivalent, to 1.21bn, while the communist world increased consumption by 80 per cent from 1.39bn tonnes to 2.52bn.

For non-OECD countries as a whole, demand more than doubled to 3.73bn tonnes, while demand in OECD countries went up only 22 per cent - to 3.89bn tonnes.

Over the 17 year period, energy needs of the developing countries grew at an average 5.2 per cent a year, compared with 3.8 per cent in the communist countries and only 1.3 per cent in the OECD.

There has also been an important change in the nature of the world's fuel mix, with the growing use of natural gas – at the expense of coal in communist states and of oil in developing countries.

Between 1971 and 1987, coal's share of energy requirements in non-OECD countries fell from 44 to 35 per cent. Relative dependence on oil peaked in 1980 at 41 per cent and by 1987, at 35 per cent, was 2 per cent less than in 1971.

In developing countries, the share of gas in energy requirements rose from 9 per cent to 17 per cent and in the communist states gas consumption rose from 16 per cent to 25 per cent.

The pattern of gas production has also changed dramatically. In 1971, Iran was the largest exporter of gas in the developing world, contributing 4.3m tonnes, oil equivalent.

By 1980, Iran's exports were negligible while the number of gas exporters in the developing world had doubled from five to ten with Indonesia exporting 30 per cent of total gas exports of 33.5m tonnes.

In 1987, Algeria was the developing world's largest exporter at 24m tonnes with other important exporters being Indonesia, Brunei, Malaysia and the United Arab Emirates.

World Energy Statistics and Balances 1971 - 1987: OECD 2 Rue André Pascal, 75775 Paris Cedex 16; France; 656 pages; Fr. 550.

'Quiet revolution' in Latin American agriculture

By Canute James in Kingston

LATIN AMERICAN and Caribbean countries have expanded their non-traditional farming sectors over the past two decades and have become major exporters, according to a report by the Inter-American Development Bank.

Describing the development as a "quiet revolution," the bank says earnings from non-traditional agricultural exports have increased as much as 20-fold since the mid-1960s.

"The traditional importance of grain and beef is now being challenged by a host of newcomers – soybeans, vegetable oils, fresh fruit and crustaceans," the Bank says.

The increase in these exports is credited by the Bank to more efficient transportation, changes in eating habits in the major markets (mainly North America) and year-round production of some crops in Latin America and the Caribbean.

Indicative of the growth in non-traditional exports from the region is the performance of Argentina's soyabean industry. Exports of beans, oil and cake began in 1973, and in the following two years earnings averaged $44m. The IDB says that hy 1986 earnings annual earnings had reached $1.25bn.

Earnings from Brazil's exports of soyabean oil and cake, which reached $100m in 1972, jumped to over $2bn by 1984, according to the report.

"More efficient transportation, refrigeration and marketing have transformed Latin America's fisheries subsector into an important new foreign exchange earner," says the IDB, "especially in the high value products which have become a regular component of urban diets around the world. In Latin America this has meant, first and foremost, a sharp rise in shipments of crustaceans (principally shrimp), and fish in various forms of conservation."

Ecuador's exports of crustaceans in 1987 were worth $388m compared with $10m before 1963. Similar expansion has taken place in Argentina, Chile, Brazil, Honduras, Panama, Peru and Surinam.

Improved transport has opened up markets for seasonal produce, the report says. This has allowed some countries to ship high-value products like broccoli and asparagus to distant markets.

"While Mexico has been a traditional supplier to its northern neighbour," the IDB reports, "Chile's surge in the international markets for fruit and vegetables has come about only recently due to improved sea and air transportation."

"The choice of Chilean grapes as a terrorist target in early March was a perverse acknowledgement of the tremendous success this sector has achieved," says the bank.

Tin producers expect price rise

By Lim Siong Hoon in Kuala Lumpur

THE ASSOCIATION of Tin Prodncing Countries, which met here last week, is expecting higher tin prices in the months ahead in spite of the US decision to increase tin sales from its strategic stockpile by 2,000 tonnes a year to 7,000 tonnes from October.

The seven-nation group attributes higher tin prices to greater depletion of worldwide stocks which it said were falling at a rate of 1,700 tonnes a month, rather than the 1,000 tonnes a month it was estimating earlier.

As a result, "readily available stocks are no longer available to the market," the association said. With more tin sales by the US in prospect, however, it plans to meet in October to review its export control programme.

Revised ATPC estimates showed that total world tin stocks amounted to 30,396 tonnes at the end of April. While that was still about 10,000 tonnes above what is regarded as the normal market equilibrium level, more than 7,000 tonnes were "locked up" because of litigation arising from the collapse of the International Tin Council's buffer stock buying operation in 1985.

The tin group has made no attempt to fix prices but has instead worked to pare down a stockpile which four years ago was three times the present level.

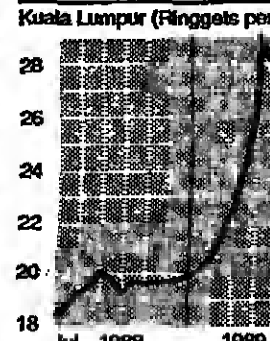
Although ths association lacked policing powers to enforce its annual export quota (106,400 tonnes for the 1988-89 period) the group's strategy was "holding oot very well," said an ATPC official.

Even Brazil, the largest producer and not a member of the ATPC, has kept its bargain to limit exports.

The association has yet to spell out its role, beyond setting export quotas, once the tin glut is removed.

Tin price

Kuala Lumpur (Ringgets per kilo)



WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices closed down on the LME yesterday despite a 534-tonne fall in LME warehouse stocks to 2,262 tonnes – the lowest level since December. Merchant liquidation took *the three-month price down to* $11,150 a tonne by mid-day. A recovery to $11,450 in the afternoon soon attracted profit-taking and renewed merchant liquidation. The premium for cash metal narrowed to $587.50 a tonne, *compared with $800 on Friday. Tin* prices firmed, finding some support from the dollar's weakness against sterling. The arrival of of 400 tonnes into LME warehouses suggests there is more metal due to be put on warrant, *traders said. Coffee prices closed* mixed, and are generally seen as drifting lower. Any constructive statements on the future of the coffee agreement from key ICO members would quickly reverse the trend.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.05-4.20w	+.175
Brent Blend	$16.50-6.55v	+.175
W.T.I. (1 pm est)	$20.40-0.45v	+0.00
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$196-198	-3
Gas Oil	$135-137	+1
Heavy Fuel Oil	$83-85	+1
Naphtha	$158-160	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$366.25	+2.75
Silver (per troy oz)♣	536c	+9
Platinum (per troy oz)	$492.25	+0.80
Palladium (per troy oz)	$152.75	-0.25
Aluminium (free market)	$1935	
Copper (US Producer)	115⅝-118c	
Lead (US Producer)	38.00c	
Nickel (free market)	535c	-25
Tin (European free market)	$10075	+75
Tin (Kuala Lumpur market)	26.47r	+0.06
Tin (New York)	482.5c	-0.5
Zinc (US Prime Western)	80½c	
Cattle (live weight)†	118.31p	-4.64*
Sheep (dead weight)†	175.84p	-30.1*
Pigs (live weight)†	87.22p	-5.56*
London daily sugar (raw)	$326x	+11
London daily sugar (white)	$395.5x	+16.5
Tate and Lyle export price	£326.0	+6.5
Barley (English feed)	£104.5w	
Maize (US No. 3 yellow)	£131.5	
Wheat (US Dark Northern)	£132u	
Rubber (spot)♥	60.50p	+6.70
Rubber (Jul)♥	66.00p	+0.75
Rubber (Aug)♥	66.75p	+1.00
Rubber (KL RSS No 1 Jul)	254.0m	-3.5
Coconut oil (Philippines)§	$555z	+5
Palm Oil (Malaysian)§	$380.6	+12.5
Copra (Philippines)§	$355	
Soyabeans (US)	£207u	
Cotton "A" index	79.85	+6.10
Wooltops (64s Super)	623p	+3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. x-Jul/Aug. w-Aug. z-Aug/Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jul	805	815	808 795
Sep	823	834	838 013
Dec	873	863	880 865
Mar	868	885	874 864
May	877	892	886 873
Jul	892	908	895 890
Sep	908	924	906 903

Turnover:4356 (7102) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 16 1017.52 (1027.97) :10 day average for Jun 19 988.55 (985.35)

COFFEE £/tonne

	Close	Previous	High/Low
Jly	1127	1140	1135 1109
Sep	1087	1090	1088 1070
Nov	1081	1090	1087 1000
Jan	1102	1095	1100 1071
Mar	1115	1110	1118 1080
May	1130	1093	1080 1050
Jly	1120	1100	1085

Turnover:2556 (4105) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 16: Comp. daily 161.87 (161.00) . 15 day average 110.46 (111.55)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	290.00	288.60	294.60 288.00
Oct	286.60	287.60	293.40 284.50
Dec	285.00	285.00	287.00 284.00
Mar	270.40	271.40	275.00 269.40
May	269.00	270.00	272.40
White	**Close**	**Previous**	**High/Low**
Aug	384.00	382.00	388.00 382.50
Oct	355.00	352.00	358.00 352.00
Dec	347.00	343.00	347.00
Mar	335.00	333.00	336.00 335.00
May	333.50	331.00	336.50 335.00

Turnover: Raw 10473 (8464)lots of 50 tonnes. White 1334 (1000).
Paris- White (FFr per tonne): Aug 2385 Oct 2385, Dec 2305, Mar 2250, May 2240, Aug 2230, Oct 2095.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Aug	16.22	16.12	16.22 16.03
Sep	16.08	10.00	16.07 15.87
IPE Index	16.12	16.30	

Turnover: 5057 (4289)

GAS OIL $/tonne

	Close	Previous	High/Low
Jul	135.50	136.00	135.50 133.00
Aug	136.25	134.50	135.25 132.50
Sep	135.75	135.25	135.50 133.75
Oct	137.00	137.00	137.00 135.00
Nov	138.25	138.00	138.75 136.75
Dec	139.25	138.50	139.00 137.25

Turnover 3292 (6264)lots of 100 tonnes

TEA

There were 16,797 packages on offer including 5,600 offshore, reports the Tea Brokers Association. Demand was again strong and general with brightest teas fully firm. Medium and plainer descriptions met good competition at generally dearer rates. Ceylons were well supported and dearer, particularly good quality teas. In the offshore auction Kenyas sold at slightly easier rates but offerings from all other *origins realised fully firm and often dearer* prices. Quotations: quality 135p (same), medium 125p (120p), low medium 97p (95p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 24,300 tonne
Cash	1960-70	1945-50		1930-40		
3 months	1870-5	1870-2	1880/1850	1845-55	1860-3	34,290 lots
Copper, Grade A (£ per tonne)						Ring turnover 43,300 tonne
Cash	1743-6	1710-2		1724-5		
3 months	1707-8	1664-6	1707/1686	1692-3	1701-2	75,982 lots
Lead (£ per tonne)						Ring turnover 12,075 tonne
Cash	414-6	430-4	430/420	419-21		
3 months	407-8	416-8	415/408	412-3	409-11	0,542 lots
Nickel ($ per tonne)						Ring turnover 2,358 tonne
Cash	11750-850	12100-50	11800/11700	11650-700		
3 months	11200-25	11300-50	11450/11150	11100-50	11200-50	7,141 lots
Tin ($ per tonne)						Ring turnover 395 tonne
July 3	10000-50	9990-10040		9980-10000		
3 months	9950-10000	9880-900		9890-9916	9960-10000	1,632 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,350 tonne
Cash	1750-70	1710-30	1760/1690	1695-700		
3 months	1575-80	1555-60	1575/1560	1562-5	1595-90	10,938 lots
Zinc ($ per tonne)						Ring turnover 13,800 tonne
Cash	1535-40	1525-35	1535/1525	1520-5		
3 months	1490-5	1480-90	1506/1485	1485-90	1505-10	9,456 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	145.6	123.6	145.0 140.0
Feb	170.6	145.0	
Apr	244.5	223.5	247.0 235.0
May	265.0	240.0	264.6 258.0

Turnover 1271 (1030) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	157.00	152.30	156.00 153.00
Oct	157.00	151.60	156.50 153.00
Dec	155.60	150.50	151.00

Turnover 170 (39)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jun	1398	1400	1398
Jul	1355	1370	1365 1355
Oct	1481	1510	1495 1490
BFI	1396	1397	

Turnover 103 (108)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jun	111.00	111.70	111.00
Sep	107.20	106.00	107.40 107.20
Nov	110.76	109.50	110.90 110.50
Jan	114.30	113.00	114.30 114.20
Mar	117.40	110.16	117.30 117.20
May	120.70	119.50	120.70 120.60
Jun	122.25	121.00	122.25 122.00
Barley	**Close**	**Previous**	**High/Low**
Sep	105.40	104.75	105.75 105.25
Nov	109.50	108.45	109.60 109.30
Jan	112.75	111.60	112.75 112.50
Mar	115.85	114.75	115.85
May	117.35	116.25	117.35 117.25

Turnover: Wheat 279 (137), Barley 135 (118). Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	113.0	113.0	112.8
Aug	116.5	111.0	109.5
Oct	115.6	114.5	

Turnover 7 (0) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	366-366½	236½-237
Opening	363-363½	237½-238
Morning fix	363.6	236.796
Afternoon fix	364.4	236.393
Day's high	366½-367	
Day's low	363-363½	

Coins	$ price	£ equivalent
Mapleleaf	377-382	243½-246½
Britannia	377-382	243½-246½
US Eagle	377-382	243½-246½
Angel	373-378	240⅝-243⅞
Krugerrand	365-368	236-238
New Sov.	86-87	55½-56¼
Old Sov.	86-87	55½-56¼
Noble Plat	494.45-502.35	320.85-326

Silver fix	p/fine oz	US cts equiv
Spot	345.35	532.35
3 months	357.65	545.25
6 months	370.05	557.50
12 months	393.95	581.75

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1800	156	120	7	47
1900	81	69	28	93
2000	32	35	00	158
Copper (Grade A)	**Calls**		**Puts**	
2550	148	165	24	102
2650	83	117	59	152
2750	40	80	118	212

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1050		71		38
1100	40	46	16	63
1150	16	28	42	95
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
800	8	46	6	23
850		22	47	49
900		6		86

US MARKETS

IN THE METALS, gold and silver rose following a sharp increase in the CRB index, a major inflation indicator, reports Drexel Burnham Lambert. Trade buying and elected stop orders *lifted the copper. Platinum also gained* in slow trading. In the softs, sugar prices closed lower after a choppy session. Coffee trading was dull as first notice day draws near. Cocoa prices were steady from mostly local activity. All of the grain markets posted strong gains as the hot, dry weather in the mid-west states rallied prices. July soybeans advanced 15½ closing at 748½. In the livestocks, a bullish cattle on feed report helped firm up cattle prices. June live cattle gained 127. Pork bellies and hog futures also advanced due to a higher cash market and some spillover buying from the cattle. The energy complex was higher on news of production cuts. Cotton prices gained from early speculative buying before trade selling weakened the market later on.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	367.1	365.1	368.0	365.9
Jul	368.4	366.4	0	0
Aug	370.6	368.8	371.6	368.1
Oct	374.7	372.7	375.5	373.8
Dec	378.8	376.8	379.9	376.3
Feb	382.9	380.8	383.7	382.0
Apr	387.2	385.0	387.1	385.0
Jun	391.4	389.2	0	0
Aug	395.6	393.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	497.2	490.9	498.5	491.5
Oct	499.2	492.7	500.0	493.5
Jan	500.4	493.9	500.2	497.5
Apr	503.9	497.4	503.0	503.0
Jul	507.0	501.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	532.3	526.5	532.0	532.0
Jul	534.0	530.5	539.0	531.5
Aug	538.5	535.0	0	0
Sep	543.4	539.8	548.0	540.1
Dec	556.2	552.5	561.0	554.0
Jan	559.7	556.0	0	0
Mar	568.2	564.5	573.0	567.0
May	576.9	573.1	578.0	577.0
Jul	585.7	582.0	589.0	589.0
Sep	594.6	590.9	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
June 10	Jun 15	mnth ago	yr ago
2029.8	2035.9	2016.5	1925.4

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	132.15	131.10	135.61	142.12
Futures	132.06	131.70	134.87	143.65

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	116.96	113.75	116.45	116.45
Jul	116.85	114.25	118.40	115.50
Aug	115.35	113.16	116.55	116.20
Sep	114.10	112.00	115.60	113.00
Dec	110.20	108.50	111.55	109.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	20.39	19.95	20.46	19.67
Aug	18.72	18.58	18.81	18.27
Sep	17.85	17.81	17.98	17.53
Oct	17.43	17.46	17.58	17.22
Nov	17.26	17.28	17.35	17.07
Dec	17.11	17.13	17.26	16.93
Jan	17.16	17.04	17.10	16.85
Apr	16.88	16.89	16.87	16.74

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4590	4571	4620	4530
Aug	4616	4611	4650	4555
Sep	4680	4677	4710	4625
Oct	4760	4749	4775	4700
Nov	4825	4821	4890	4780
Dec	4900	4893	4920	4865
Feb	4880	4888	4880	4835

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1120	11	1141	1001
Sep	1153	1160	1170	1150
Dec	1190	1201	1205	1188
Mar	1208	1215	1222	1205
May	1223	1230	1235	1222
Jul	1245	1245	1245	1243
Sep	1263	1266	1262	1258

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	116.07	117.49	117.75	116.00
Sep	111.19	110.67	111.00	110.00
Dec	108.10	107.57	108.25	106.75
Mar	109.00	108.90	109.40	107.55
May	110.25	110.38	111.00	110.25
Jul	112.05	111.61	113.00	113.00
Sep	112.25	112.03	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	13.00	13.06	13.37	12.99
Oct	12.87	13.04	13.97	12.83
Jan	12.19	12.39	0	0
Mar	12.13	12.10	12.40	12.12
May	12.09	12.09	12.30	12.09
Jul	12.04	12.01	12.10	12.03
Oct	11.86	11.77	12.05	12.05

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	68.10	68.96	69.30	68.00
Oct	69.21	70.10	70.35	69.21
Dec	69.45	70.04	70.50	69.50
Mar	70.30	70.78	71.10	70.25
May	70.80	71.16	71.70	70.80
Jul	71.40	71.35	71.80	71.50
Oct	67.00	67.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	177.25	175.85	179.00	172.60
Sep	160.75	164.20	162.75	159.20
Nov	153.25	155.55	155.25	153.50
Jan	149.50	151.50	151.00	147.75
Mar	147.75	150.75	150.00	150.00
May	147.00	149.75	0	0
Jul	147.00	149.75	0	0
Sep	147.00	149.75	0	0

Chicago

SOYABEANS 5,000 bu min: cents/60lb bushel

	Close	Previous	High/Low	
Jul	748/4	733/0	760/0	0
Aug	719/2	705/0	732/0	715/0
Sep	687/4	686/6	694/4	680/0
Nov	669/4	651/4	681/0	665/4
Jan	677/4	659/4	686/4	675/0
Mar	686/0	668/4	695/4	683/0
May	690/0	674/4	700/0	690/0
Jul	690/0	675/0	697/0	690/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.88	20.77	21.35	20.58
Aug	21.13	20.90	21.55	20.77
Sep	21.34	21.16	21.72	20.95
Oct	21.53	21.32	21.95	21.25
Dec	21.91	21.68	22.40	21.56
Jan	22.02	21.80	22.40	21.80
Mar	22.30	22.06	22.85	22.20
May	22.40	22.12	22.90	22.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	224.2	215.2	225.2	0
Aug	216.0	206.6	218.5	219.0
Sep	209.7	201.7	211.0	205.5
Oct	203.0	195.2	204.0	0
Dec	201.4	193.7	202.5	196.0
Jan	201.6	192.5	202.0	199.5
Mar	200.0	193.0	203.0	200.0
May	198.0	100.5	400.4	198.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	272/2	262/6	272/6	269/0
Sep	260/2	250/2	260/2	259/0
Dec	256/6	246/6	256/6	251/0
Mar	264/4	254/4	264/4	259/0
May	268/4	258/4	268/4	264/0
Jul	269/0	259/0	269/0	268/0
Sep	257/0	247/0	256/0	280/0
Dec	201/0	242/2	262/2	246/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	396/4	394/2	399/0	393/4
Sep	404/4	401/4	409/4	400/6
Dec	418/2	415/4	420/0	416/0
Mar	424/4	421/2	426/0	421/4
May	411/4	409/0	413/4	408/4
Jul	373/0	372/0	375/0	372/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	72.97	71.70	73.02	72.40
Aug	70.87	69.50	70.97	70.97
Sep	71.55	70.30	71.80	71.80
Oct	73.25	72.20	73.57	73.00
Dec	73.47	72.90	73.70	73.15
Feb	73.45	72.55	73.55	73.10
Jun	72.90	71.90	72.90	72.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.97	48.22	49.00	48.50
Jul	49.50	48.20	49.65	48.55
Aug	48.65	47.10	48.65	47.55
Oct	44.47	43.22	44.60	43.65
Dec	46.15	45.00	46.50	45.30
Feb	47.60	46.70	47.00	47.00
Apr	44.25	43.90	44.50	44.00
Jun	48.10	47.60	48.25	47.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	34.70	33.92	35.17	34.10
Aug	34.36	33.60	35.00	34.00
Feb	50.75	49.30	51.07	49.75
Mar	50.37	48.85	50.60	49.60
Jul	50.90	50.00	52.00	0
Aug	47.90	47.80	49.00	0

LONDON STOCK EXCHANGE

Equities firmer but volume still light

A STEADY performance from sterling despite the outcome of the European elections, which was negative for the UK Conservative Government, underpinned a firm UK stock market yesterday. Trading volume was light, but the picture was much the same as last week, with the institutions showing no inclination to sell stock and leaving share prices to follow a buoyant futures market.

American, and to a lesser extent, Japanese buyers were still present in London, but remained selective in their affections. BAT Industries remained in favour, and the international funds bought pharmaceutical stocks as the Beecham/SmithKline Beckman merger moved nearer to fruition.

Share prices were marked down initially as traders shied away from the possibility that the European election result might mean further downward pressure on sterling.

Equities soon began to edge ahead, however, as sterling rallied from its early fall and London money market rates turned easier. Led by a premium on the FT-SE Index futures contract, share prices advanced to show a gain of 14 Footsie points.

The market peaked as London waited for New York to open, and then began to lose its shine when Wall Street entered the new session on the downward trend. The Footsie futures premium was trimmed to around 10 points before the futures market closed and share prices settled down to round off the first day of the new aquity Account in uneventful fashion.

The final reading of 2,154.7 on the FT-SE Index showed a net gain on the day of 10.8 points. Tha Index has now returned to the levels last seen at the end of May when the pound's fall, swiftly reflected in the rise in base rates to 14 per cent, had begun to undermine the Footsie post Crash peak of 2,204.7.

Seaq volume totalled only 360.3m shares yesterday, against the 514.7m registered on Friday. Turnover in neither ICI nor Barclays Banking could scale the 1m share level, and shortage of stock played a role in pushng several leading stocks ahead.

The equity market's worries over sterling could face a further testing this morning when the latest UK money snpply data is dua. The cocensus forecasts in the equity market is that growth in money supply and bank lending was strong in May.

UK equity analysts remain cautious about the London market. Kleinwort Benson warns that if high interest rates have to be tolerated for some time, then a static economy will make profits growth "hard to generate". Hoare Govett, whila regarding renewed speculation against sterling as possible, believes the UK Treasury would resist pressure for a further rise in base rates."

Account Dealing Dates

*First Dealings:		
Jun 5	Jun 19	Jul 3
Option Declarations:		
Jun 15	Jun 29	Jul 13
Last Dealings:		
Jun 16	Jun 30	Jul 14
Account Day:		
Jun 26	Jul 10	Jul 24

*New time dealings may take place from 9.00 am two business days earlier

Pao sells Standard stake

Shares in Standard Chartered, the UK bank with extensive Far Eastern interests, fell sharply in early trading after broking house Cazenove placed Sir Y K Pao's 10 per cent stake in the market. The Hong Kong shipping magnate acquired the shares in 1986 while helping to block a hostile bid for Standard from Lloyds Bank.

The stake of some 23m shares was sold at 495p, reportedly to a variety of institutions. As soon as the placing was completed the Standard price dropped to 502p before recovering slightly to close at 508p, down 14 on the day. Turnover was logged at 48m shares which, taking into account double-counting, meant that only 2m shares outside the stake changed hands during the session.

The reaction from analysts was muted. They pointed out that Sir Y K Pao had registered the holding in the name of his two daughters last year at the time of a Standard share issue, the rights to which he declined to take up, implying that the investment was a short-term commitment. The pricing of the sale was also regarded as generous.

"The stake was placed at 495p, and if you adjust for the interim dividend there's a yield there getting on for 10 per cent, so it was bound to go down well," commented one analyst. Most researchers agreed that following yesterday's fall, and the recent China-related weakness, Standard shares could attract some bargain buyers.

Enterprise ruling

Enterprise Oil rose firmly on the High Court's go-ahead for the company's acquisition of Texas Eastern North Sea from Texas Eastern. British Gas and Amerada Hess, had sought to establish pre-emptive rights over the UK portion of Texas Eastern assets.

The stock had already opened on a strong note, buoyed by hopes that the decision would be favourable, and also by a bullish circular from Warburg Securities which concentrated onexploration opportunities in Vietnam. The price touched 563p after the court announcement, before settling at 557p by the close, a net 11 better. Volume at 1.3m shares was above average, and dealers spoke of steady institutional interest.

"It is a splendid achievement for Enterprise," said Mr Philip Lambert, oils analyst at Kleinwort Benson, summing up the view of most of the market. Mr Keith Morris at Kitcat and Aitken said: "If there is no further appeal,they will have got a very good deal."

Enterprise's adversaries in the court case, British Gas and Amerada Hess, have until noon on Monday to lodge an appeal. Analysts felt thet British Gas, at least, would do so but are unlikely to succeed. Most had assumed that Enterprise would win when calculating their recent profit forecasts and they reiterated their buy recommendations. Some 60 per cent of the stock is held by three main investors, leading to frequent bear squeezes. "It is massively under-owned by the institutions," said Mr Alan Sinclair of Smith New Court.

US buy Beecham

An acute shortage of Beecham stock saw the price rise rapidly in thin early trade as marketmakers tried to draw out sellers. The momentum was maintained by US interest, and the price peaked at 645p before closing at 637p, a rise of 9 on the day.

New York buying raised eyebrows in London. "They must know something we don't," said one analyst. Beecham is about to complete its merger with SmithKline Beckman of the US and the pharmaceutical team at Nomura suggested that the S&P 500 listing of key US stocks might break with tradition and include an ADR.

SmithKline Beecham, the merged entity, will be UK based, and it has been feared that US index tracking funds which currently hold SmithKline Beckman would dump their holdings. Dr Erling Refsum and Mr Didier Cowling, at Nomura, believe there are too few UK index tracking funds to take up this stock, and that the price has been weak on fears of a forthcoming glut. Nomura said that S&P has been considering the case for several weeks and wanted to take the desires of investors into account.

Another surge in shares of BAT Industries owed more to sustained investment support than renewed speculative interest. The research team at BZW believes they are the best value of the international tobacco stocks both on a p/e and a price/cash earnings basis, in spite of the recent outperformance.

"With renewed US interest, decreased worries about Proposition 103 (Californian reform for reduced premiums on property and casualty insurance), good growth forecast and strong defensive characteristics, BATs remains the prime choice in the sector," said Ms Nyren Scott-Malden and Mr Michael O'Donnell. After volume of 3.2m, the shares closed 10 up at a new peak of 673p.

Rothmans International rode on the crest of the BATs wave, gaining 10 to 537p in turnover of only 753,000 shares. The preliminary statement is due on Thursday, and Mr Richard Workman of Hoare Govett is looking for £305m, compared with £288.8m last year.

With the clearers trading quietly merchant bank Hambros topped the limelight, rising 4 to 209p after announcing better than expected full-year profits of £70.2m. The market had been worried that the slump in the housing market would seriously dent the bank's profits via its estate agency arm Hambro Countrywide, but the worst of the losses in housing are not likely to appear on the balance sheet until the current year'sfigures are assembled in twelve months' time. Countrywide contributed £22m profits last year, but analysts are already predicting a loss on 1988/9 trading of at least £8m from the group. Shares in Hambro Countrywide closed unchanged at 36p.

National Westminster finished at 294p xd after a one-for-one bonus issue; the price represented little change in the old form and the stock was quietly traded.

Scottish & Newcastle, the brewer, rose 3 to 323p following press suggestions that it is ready to sell its Thistle Hotels subsidiary to pay for the acquisition of CenterParcs, the holiday group. Mount Charlotte, up 6 at 97p, rose on hopes that it might buy the Thistle chain from S & N. Speculation that it will sell its diy operation Texas Homecare continued to surround Ladbroke, 7½ better at 584p.

Trading statements produced infrequent features among buildings with Crest Nicholson rising 3½ to 195½p on increased first-half earnings and Hewetson gaining 6 to 141p after sharply higher full-year profits. Meyer International also stood out, advancing 8 to 384p in front of today's annual results.

Stores firmed on hopes of stable interest rates. Body Shop were the clear feature, adding 19 at 685p xd and boosted by a press comment on stocks likely to benefit from the attentions of environmentally conscious investors. Body Shop will announce a scrip issue soon at a soon-to-be-arranged egm and dealers suggested the shares will be keenly sought ahead of the meeting. Two other issues to make notable gains on the "green ticket" were Attwoods, up 27½ 498p xd, and Shanks & McEwan, 205 higher at 1800p.

Kingfisher also gained ground, adding 7 at 303p as marketmakers squeezed the price higher in search of stock. Boots held up well, closing 6 higher at 291½p ex-dividend, while diy chain Wickes bounced from recent losses to add 9 at 177p.

The electronics sector slipped lower in modest trading as investors awaited new developments. Trading in GEC of 5m shares provided a feature, although the shares were little changed at 246p as investors braced themselves for the preliminary results due in the current trading Account (June 28), and for the revised bid terms for Plessey, likely to follow soon after.

The fall in the pound has been good news for GEC, and analysts hope for an increased dividend paymant this year; profits of around £770m pre-tax for this year are expected. Plessey, at 263p, were also little changed and attracted low turnover.

Racal Telecom dipped 12 to 463p as some profits were taken after the latest advance on the back of US demand. At Henderson Crosthwaite, the UK broking firm, Mr Brian Newman, one of the earliest supporters of a re-rating of Racal Tel, said that the situation has now reversed and that the share price "is far too high." Racal Electronics, 10 off at 503p yesterday, is likely to fall with Telecom, concluded *the Henderson note on the* Racal twins.

A near doubling of full-year profits at Renold excited investors and the stock added 9 at 97½p. "It just ran away," said a dealer.

The market played a waiting game in Gateway as shares in the supermarket group edged 3 higher to 215p on light turnover of 2.8m. "Most market professionals should already have positions at the lower levels," explained on trader, who said that investors in the stock were content to sit on their holdings and await news from Wasserstein Perella, the US finance house which has confirmed it is interested in organising a leveraged buy-out of Gateway.

There is already a 210p-a-share bid from Isosceles on the table, and the deadline for acceptances of that offer is 1.00pm Thursday; analysts say that if Gateway is to be snatched from the clutches of Isosceles, which already speaks for 27 per cent of its target's equity, then a rival bidder will have to offer at least 220p, if not 230p-a-share. The market expects to know the full intentions of Wasserstein Perella by today.

Other food stocks, both retailers and manufacturers, continued to firm on bid speculation, among them Asda, a shade better at 180½p on turnover of 12m shares, and Dalgety, up 10 at 369p amid talk that Australian entrepreneur Mr Robert Holmes à Court has recently added to his 5.2 per cent holding.

A 25 per cent full-year improvement in profits from conglomerate BET boosted shares 12 to 284p. Some marketmakers had anticipated a higher figure, but as soon as they marked down the rice, eager buyers moved in. Mr Angus Blair, of Kitcat and Aitken is raising his forecast for the current year from £290m to 310m and changing his recommendation from a "hold/buy" to a "defensive buy."

USM-quoted Creighton Labs slumped 117 to 313p after a profits warning.

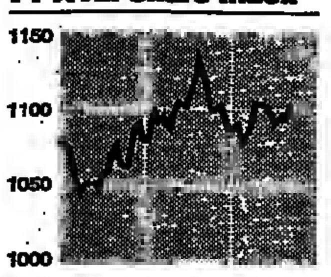
Dowty attracted persistent inquiries – the annual figures are due on June 29 – and the shares rose 8 to 291p. Vehicle distributor T Cowie went better to close at 143p following weekend news that Trimoco had acquired a small stake as an investment.

Institutional buyers were around for several stocks in ex-dividend form, including Reed International which jumped 12 to 414p.

News that the **Hunting Gibson, Hunting Associates and Hunting Petroleum Services** are to merge boosted all three. Gibson added 24 at 267p, Associates jumped 87 to 555p and Petroleum climbed 18 to 225p. Mr Sandy Morris, analyst at County NatWest WoodMac, said that the shares should become more attractive. "It will be a single company with interests in defence, oil services and aviation support. It should be re-rated; I could easily live with a p/e ratio of 10 compared with the current 8." That would take Associated close to £6 a share, he said.

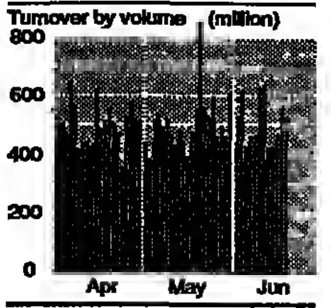
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



FINANCIAL TIMES STOCK INDICES

	Jun 19	Jun 16	Jun 15	Jun 14	Jun 13	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.76	84.61	84.02	83.75	83.91	89.08	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.72	95.68	95.48	95.22	95.21	98.11	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1780.7	1771.8	1756.9	1762.9	1756.0	1468.7	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	183.8	182.4	183.7	184.4	183.1	216.7	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Dl. Yield	4.49	4.56	4.59	4.58	4.59	4.53
Earning Yld %(full)	10.59	11.04	11.11	11.09	11.13	11.63
P/E Ratio(Net)(☆)	11.39	10.97	10.89	10.92	10.86	10.48
SEAQ Bargains(5pm)	22,461	29,824	25,696	23,429	24,580	21,247
Equity Turnover(£m)†	-	1342.66	1573.79	994.13	1298.37	720.80
Equity Bargains†	-	31,794	27,734	25,621	28,063	24,942
Shares Traded (ml)†	-	527.0	556.8	466.7	429.4	327.3

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1770.1	1774.2	1775.9	1779.5	1782.3	1782.7	1781.1	1782.9

DAY'S HIGH 1782.9 DAY'S LOW 1769.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.26 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Jun 16	Jun 15
Gilt Edged Bargains	117.9	120.9
Equity Bargains	206.0	179.7
Equity Value	2713.9	3151.0
5–Day average		
Gilt Edged Bargains	111.3	107.2
Equity Bargains	181.9	180.5
Equity Value	2568.6	2894.2

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	12,000	180½	+1	Cookson	1,100	332	+2	Laporte	36	432		Royal Bk of Scotland	51	379	-1
Allied-Lyons	674	436	-2	Courtaulds	371	336	+2	Legal & General	568	308		Royal Insurance	245	392	
Amstrad	1,500	80	+1	Dalgety	638	369	+10	Lloyds Bank	443	340	+1	STC	994	371	+10
Argyll Group	1,900	227	+3	Dixons	892	144	+1½	LASMO	1,300	469	+3	Saatchi & Saatchi	1,500	293	+7
Ass. Brit. Foods	1,400	373	+8	Eng. China Clays	289	475	+3	Lonrho	403	271	+3	Sainsbury	406	266	+2
BAA	2,800	344	+½	Enterprise Oil	1,300	557	+11	Lucas	904	638	+7	Scot & Newcastle	979	323	+3
BAT Inds.	3,200	673	+10	FKI Babcock	288	168	+1	MB Group	946	192	-2	Sears	5,746	114¼	-½
BET	1,500	284	+12	Fisons	1,600	290	+6	MEPC	313	579	+7	Shell Transport	1,500	411	+2
BICC	118	506	-1	Gateway Corp.	2,000	215	+3	Marks & Spencer	1,300	191		Siebe	568	532	+14
BOC	325	479	+3	General Accident	46	933	+9	Maxwell Comm.	1,300	183	+3½	Slough Ests	539	324	+3
BPB Inds.	249	240	+2	General Elect.	5,000	246½	+1½	Midland Bank	725	340	-1	Smith & Nephew	1,200	129½	+½
BTR	1,600	376	+3	Glaxo	1,300	1363	+24	Nat. West. Bank	1,800	294		Smiths Industries	527	307	+2
Barclays	514	443	+3	Globe Inv.	435	127½	+½	Next	950	138	+2½	Standard Chartered	47,895	508	-14
Bass	319	1092	+4	Glynwed Int.	263	386	+1	Northern Foods	142	316	+2	Storehouse	337	154	-1
Beecham	3,100	637	+9	Granada	494	340	+1	Pearl	164	638	+3	Sun Alliance	370	1080	
Blue Circle	295	543	+5	Grand Met.	1,200	534		Pearson	37	713	-1	T&N	326	224	
Boots	1,600	291½	+6	GUS A	260	1011	+6	P & O	861	630	+7	TSB	1,400	106½	+1½
Brit. & Comm.	1,400	175	-1	GRE	1,400	197	+6	Pilkington	1,800	230½	+2½	Tarmac	2,200	313	+1
Brit. Aerospace	378	600	-1	GKN	600	391		Plessey	426	263	+1	Tate & Lyle	55	249	
British Airways	1,500	201	-1	Guinness	2,200	508		Polly Peck Intl.	1,500	273	-1½	Taylor Woodrow	168	329	+1½
British Gas	6,200	186½	+2	Hammerson 'A'	4	787	+9	Prudential	1,600	173		Tesco	1,940	190	+2
British Land	1,000	351	+7	Hanson	2,400	202¼	+½	RHM	617	454	+10	THORN EMI	728	733	
BP	3,000	294		Harrisons & Cros.	564	864	+1	RMC	334	704	+1	Trafalgar House	1,800	365	+2
British Steel	7,500	78¼	-1	Hawker Siddeley	353	695	+7	RTZ	604	486	-1	Trusthouse Forte	2,200	322	+8
British Telecom	2,000	275	+1	Hillsdown Hldgs	213	275	+2	Racal	3,400	304	-6½	Ultramar	1,300	307	+1
Burmah Oil	88	590	-2	IMI	144	223	+2	Rank Org.	143	948	+5	Unilever	233	575	+2
Burton	907	220	+4	Imp. Chem.	918	1275	+6	Reckitt & Colman	367	1104	+1	United Biscuits	549	346	+3
Cable & Wireless	1,000	490	+2	Inchcape	63	346	+1	Redland	439	553	+3	Utd. Newspapers	97	403	-1
Cadbury Schweppes	321	359	+2	Jaguar	837	358	+2	Reed International	1,100	414	+12	Wellcome	288	439	+2
Carlton Comms.	85	819	+4	Kingfisher	2,100	305	+7	Reuters	53	776	+5	Whitbread 'A'	2,150	347	-2½
Commercial Union	634	366	+2	Ladbroke	405	583	+6½	Rolls Royce	1,700	192½	+3	Williams Hldgs.	139	244	-1
Cons. Gold Fields	158	1263	-7	Land Securities	372	577	+9	Rothmans	753	537	+10	Wimpey	508	266	-4

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (87).
BRITISH FUNDS (1) AMERICANS (3) CANADIANS (1) BANKS (2) BUILDINGS (9) [illegible] CHEMICALS (8) STORES (3) [illegible] ELECTRICALS (8) [illegible] ENGINEERING (4) [illegible] FOODS (2) [illegible] INDUSTRIALS (13) [illegible] INSURANCE (5) [illegible] LEISURE (4) [illegible] MOTORS (2) [illegible] NEWSPAPERS (2) [illegible] PAPERS (5) [illegible] PROPERTY (3) SHIPPING (1) [illegible] TOBACCOS (2) BAT Inds., Rothmans 12½pc, TRUSTS (10) OILS (4) [illegible] MINES (3) THIRD MARKET (2) Feltrim Mining, Unit Grp.

NEW LOWS (81).
INT. BANK & O'SEAS GOVT. STLG. ISSUES (1) AMERICANS (3) BANKS (1) [illegible] CHEMICALS (1) [illegible] STORES (7) [illegible] ELECTRICALS (3) [illegible] ENGINEERING (7) [illegible] FOODS (2) [illegible] HOTELS (1) [illegible] INDUSTRIALS (10) [illegible] LEISURE (1) [illegible] MOTORS (1) [illegible] NEWSPAPERS (2) [illegible] PAPERS (2) [illegible] PROPERTY (2) [illegible] TEXTILES (2) [illegible] TRUSTS (3) OILS (2) [illegible] MINES (6) THIRD MARKET (2) [illegible]

APPOINTMENTS

Telecom US post

BRITISH TELECOM has appointed Mr John Carrington *(above)* as president of BT Inc, based in New York. He was director of BT Mobile Communications. He will have executive responsibility for all British Telecom's operations in North America, where BT recently announced its intention to acquire over 20 per cent in McCaw Cellular Communications Inc, a leading cellular radio operator in the US. Mr Denys Bennett, formerly regional director North America, is returning to the UK as director, marketing, planning and commercial, of the communications systems division.

Changes at Eurotunnel

■ Mr Graham Corbett, formerly financial adviser to the co-chairman of EUROTUNNEL, has been appointed finance director with widened corporate responsibilities. Mr Michael Butcher, formerly group legal adviser, becomes group legal director and secretary. Mr David Wilson, formerly group secretary and administration director, is the newly-appointed director and general manager of Eurotunnel Developments which is responsible for the management and development of Eurotunnel's UK property interests. Mr Wilson retains his responsibilities as director of administration.

■ BLACK HORSE RELOCATION SERVICES, part of Lloyds Abbey Life, has appointed Mr John Carolan as managing director. He was operations director.

■ BYAS MOSLEY GROUP, international Lloyd's brokers, has appointed Mr Andrew Ellison, Mr Andrew Duggan and Mr Simon Knight to the main board with specific responsibility for the UK division.

■ Ms Tina Kaye is to join CONRAN DESIGN GROUP, a Storehouse company, as marketing and research director.

Mr Geoffrey Armstrong *(left)*, currently a main board director of M.B. Group, will be joining STANDARD CHARTERED on August 1 as a group executive director responsible for development. He is chairman of the CBI employment committee and a member of council of the Advisory, Conciliation and Arbitration Service. Mr John MacKenzie *(right)* has been appointed a group executive director responsible for banking and trade finance operations in the western hemisphere. He was area general manager based in Hong Kong with responsibility for Hong Kong, China, Macau, Japan, Korea, Taiwan and the Philippines. Mr MacKenzie joined the group in 1958.

■ GT MANAGEMENT, part of the Bank in Liechtenstein group, has appointed Mr Peter de Vai as institutional sales manager. He was senior Japanese equity salesman with County NatWest in London.

■ Mr Nicholas Ranyal has been appointed sales director of ERGONOM, a company in the office furniture division of Wassall.

■ MANSFIELD BREWERY has appointed Mr John Hare as company secretary from July 17. He was deputy company secretary at Courage.

■ CHANCERY FINANCIAL SERVICES, part of the Chancery group, has appointed Mr Haman Baradon as a director. He joins from Consolidated Credits Bank where he was a director.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Borrage Unit Tst Mangmt Ltd (0905)F

CCL Unit Trusts Ltd (1400)F

CIBC Unit Tst Managers plc (1200)H

Equitable Units Admin Ltd (1600)F

Equity & Law Unit Tst Mngrs (1200)H

Govett (John) Unit Mgmt Ltd (1000)F

Lloyds Bk Unit Tst Mgrs Ltd – Contd.

Midland Unit Trusts Ltd – Contd.

MIM Britannia Unit Tst Mgrs Ltd (1000)H

Prudential Holborn Unit Tsts Ltd (1445)H

Smith & Williamson Unit Tst Mgrs (1030)F

Sovereign Unit Tst Mngrs Ltd (1000)F

British	6	57.65	58.34	62.06	+0.36 2.26
European Growth	6	58.38	58.48	62.21	+0.32 0.39
Gilt & Fixed	6	49.28	49.28	52.43	-0.06 8.66
Income	6	53.74	54.63	58.12	+0.17 3.55
Japan Growth	6	54.32	54.82	58.32	+0.51 0.00
Managed	6	55.12	55.96	59.53	+0.2 1.63
Money Market	6	52.41	52.41	55.55	+0.03 10.78
North American	6	59.46	60.52	64.38	-0.17 0.39

Midland PSAVCS Unit Trust*

British	6	54.70	55.30	58.83	+0.34 2.26
European Growth	6	57.01	57.10	60.74	+0.31 0.39
Gilt & Fixed Int	6	48.82	48.82	51.94	-0.06 8.68
Income	6	54.81	55.72	59.28	+0.17 3.55
Japan Growth	6	56.85	57.15	60.80	+0.51 0.00
Managed	6	54.45	55.27	58.80	+0.2 1.63
Money Market	6	50.76	50.76	53.00	+0.06 10.79
North American	6	59.81	60.82	64.70	-0.16 0.39

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Gth	5	122.3	124.1	132.0	+0.5 2.61
PM Income & Gth	5	103.1	105.0	111.7	+0.5 4.69
PM Nth Amer Gth	5	56.56	56.56	60.17	+0.59 1.25
PM European Gth	5	56.47	56.47	60.07	+0.34 0.74
PM Japan Gth	5	76.35	76.73	81.60	+0.65 0.30
PM Overseas Gth	5	52.75	52.75	56.07	+0.33 0.47

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ◆ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Windsor Trust Mngrs Ltd (1200)F

Albany Life Assurance Co Ltd—Contd.

City of Edinburgh Life Assurance

Devonshire Life

Assicurazioni GENERALI SpA

Irish Life Assurance Co Plc—Contd.

MGM Assurance(z)

NEL Britannia Assce Co Ltd—Contd.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37–39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	135.0	143.8	.....	–
Building Soc. Fd.	171.0	180.0	.....	–
Balanced	284.0	299.0	+1.0	–
European	177.0	187.0	.....	–
GT Managed	176.0	186.0	.....	–
Gartmore Mngd	117.0	124.0	+1.0	–
German	124.0	111.0	+2.0	–
Gilt	180.0	190.0	.....	–
Global	48.0	51.0	.....	–
High Inc.	120.0	127.0	.....	–
International Equity	196.0	207.0	.....	–
Japan	235.0	248.0	.....	–
Managed	63.0	67.0	.....	–
Property	283.0	298.0	.....	–
R. W. Imperial Gold	148.0	156.0	.....	–
UK Equity	364.0	384.0	.....	–
Pension Funds				
American	157.0	166.0	.....	–
Building Soc. Fd.	171.0	180.0	.....	–
Balanced	218.0	230.0	.....	–
European	176.0	186.0	.....	–
German	109.0	115.0	.....	–
Gilt	153.0	162.0	.....	–
International Equity	144.0	152.0	.....	–
Japan	136.0	144.0	.....	–
Managed	64.0	68.0	.....	–
Property	117.0	229.0	.....	–
UK Equity	329.0	347.0	+1.0	–

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd.	598.2	630.4	+1.7	–
Adventurous Mngd	128.3	135.2	.....	–
Secure Mngd.	109.0	114.9	+0.2	–
Cash Fd.	231.4	246.0	.....	–

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Communications	103.9	109.4	−0.0	–
Smaller Companies	107.4	113.1	+0.9	–
International Small Cos.	130.9	137.8	+0.4	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Discretionary June 14	£154.42	159.83	.....	–
Equity June 14	£167.21	173.43	.....	–
International June 14	£26.59	27.41	.....	–
Intl Bond June 14	£12.99	13.16	.....	–
Fixed Int June 14	£70.50	71.44	.....	–
Index Linked June 14	£59.40	60.15	.....	–
Property June 14	£109.66	116.20	.....	–
Cash June 14	£20.0889	20.8889	.....	–
Pru-Linked Retirement Plan				
Managed June 14	379.2	399.1	.....	–
Cash June 14	196.2	204.4	.....	–
Prudential Pensions Investment Account				
Pens Mngd June 16	152.9	164.5	.....	–
Pens UK Eq June 16	301.2	325.0	.....	–
Pens Intl June 16	185.4	199.3	.....	–
Pens Fixed June 16	161.6	170.6	.....	–
Pens Index Lk June 16	152.1	160.6	.....	–
Pens Cash June 16	128.2	135.0	.....	–

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or −	Yield Gross
Aggressive Ptflio Fd	118.7	124.9	+0.5	–
Balanced Ptflio Fd	310.6	326.9	+1.0	–
Cautious Ptflio Fd	120.9	127.2	+0.3	–
Elite Fund	107.7	113.3	+0.6	–
European Fund	85.5	89.9	+0.1	–
Far East Fund	104.1	109.5	+1.0	–
Fixed Interest Fund	238.3	250.8	+0.6	–
International Fund	270.1	284.3	+2.2	–
Money Fund	176.0	186.0	+0.1	–
N. American Fd.	121.7	128.1	+1.0	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99	98	Exch.10pc 1989	99	.....	10.04	13.16
99	98	Exch 11pc 1989	99¼		11.05	13.31
98	95⅝	Treas 5pc 1986–89	98		5.10	10.94
99	98⅝	Exch 10¼pcCv '89	98	.....	10.38	13.34
101	99	Treas 13pc 1990‡‡	100		12.99	12.84
99	98	Exch 11pc 1990‡‡	98		11.14	13.01
101	99	Exch. 12½pc 1990	99	.....	12.55	13.01
94	91	Treas. 3pc 1990	93		3.20	10.72
96	95⅝	Treas 8¾pc 1987–90‡‡	95	.....	8.62	13.05
98	95¼	Treas. 8pc Cv 1990 ‡‡	95		8.35	12.34
98	96	Treas. 10pcCv 1990	96		10.33	12.63
91	87	Exch 1½pc 1990	91		2.75	9.59
101	98	Treas 11¾pc 1991	99		11.86	12.41
92	89⅞	Funding 5¾pc '87–91‡‡	91		6.31	11.35
89	86	Treas. 3pc 1991	89		3.38	9.63
100	95	Treas 10pc Cv '91 ‡‡	96		10.41	12.24
101	97	Exch. 11pc 1991	98		11.22	11.96
94	91	Treas. 8pc 1991	91		8.71	11.91
106	102	Treas 12¾pc 1992‡‡	102		12.43	11.56
99½	95	Treas 10pc 1992	98		10.38	11.63
94	91	Treas. 8pc 1992 ‡‡	91½		8.75	11.61
100¼	96	Treas 10½pc Cv 1992‡‡	97		10.77	11.51
85	82¼	Treas. 3pc 1992	83		3.62	9.76
105	101¼	Exch. 12¼pc '92	101¼		12.03	11.54
109¼	104	Exch 13½pc 1992	105¼		12.82	11.46
94	90	Treas 8¼pc 1993	90		9.07	11.32
100	95¾	Treas 10pc 1993‡‡	96		10.37	11.16
108¼	103	Treas 12½pc 1993‡‡	103		12.02	11.23
87¾	84¼	Funding 6pc 1993‡‡	85		7.01	10.17
113¾	108¼	Treas 13¾pc 1993‡‡	108		12.64	11.13
94½	89¾	Treas. 8½pc 1994	90		9.39	11.16
117	112	Treas 14½pc 1994‡‡	112		12.84	10.88
113	107	Exch 13½pc 1994	108		12.46	11.20
100¾	95	Treas. 10pc Ln. 1994‡‡	96		10.38	10.97

Five to Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
110¼	104	Exch. 12¼pc 1994	105		11.90	11.19
96	91⅝	Treas 9pc 1994‡‡	92		9.76	10.92
108	102	Treas 12pc 1995	103		11.60	11.15
79¾	74½	Exch 3pc Gas 90–95	75¾	.....	3.96	8.30
101	95¼	Exch. 10¼pc 1995	96⅝	.....	10.60	11.02

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99	98¾	Do. 10pc 17.7.89	99	.....	10.73	14.47
99	98	Do 11pc 7.8.89	99½	.....	11.11	14.59
99	98	Do. 11pc 29.8.89	99	.....	11.64	14.76
99	99	Do. 12¾pc 12.9.89	99	.....	12.46	14.54
99	99	Do. 12pc 2.10.89	99	.....	12.41	14.55
99	98	Do. 11pc 6.11.89	98	.....	11.95	14.55
100	98	Do 12pc 4.12.89	98	.....	12.44	14.56
100	99	Do. 12pc 7.1.90	95¼	.....	12.91	14.31
100½	98¼	Do 12pc 29.1.90	98	.....	12.72	14.59
100	98¾	Do. 12pc 26.2.90	98	.....	12.84	14.35
102¼	98½	Do. 3½pcIL Ln 2021	100¼	+¼	4.58	4.45

Public Board and Ind.

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99	95	Agric. Mt. 5pc '59–89	99	.....	5.05	–
47	45	Met. Wtr. 3pc 'B'	46	.....	6.52	10.41

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139	128	Hydro Quebec 15pc 2011	110¼		15.00	11.26
128	118	Iceland 14½pc Ln 2016	120		14.50	11.92
97¼	91½	Ireland 9¾pc '91–96	92½	–¼	9.75	11.30

AMERICANS

1989 High	1989 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39¾	26¼	Abbott Laboratories$1	17		$1.20	–	2.1
579p	361p	♦Allegheny & W 1c	$11	–29	30c	–	3.7
17¾	12	Amax $1	16½	+¼	80c	–	3.1
11¾	6	Ambase Corp $1	8¾		20c	–	1.5
15	956p	Amdahl 5c	11½	–¼	♦10c	–	0.5
35¾	25½	Amer. Cyanamid $5	35		$1.35	–	2.4
22¾	14	Amer. Express 60c	22		84c	–	2.4
14¾	854p	Amer. Medical Int. $1	14½		♦72c	–	3.1
23¾	15¼	American T. & T. $1	23¾		$1.20	–	3.2
39¾	26	Ameritech $1	38	–¼	h$2.92	–	4.9
19¼	9⅝	BankAmerica $1	18¼	.....	60c	–	2.1
32½	19¾	Bankers N.Y. $1	31		$2.08	–	4.1
54	38½	Bell Atlantic $1	56½	–¼	$4.08	–	4.6
32¾	19⅝	BellSouth Corp.	31⅛	–½	$2.52	–	5.1
13¾	12⅝	♦Bethlehem Steel $8	14	.....	–	–	–
11⅝	929p	♦Bio-Rad Labs A	11	–¼	–	–	–
20¼	15¼	Bowater Inc	18¼		$1.12	–	3.8
12¾	9¼	Brunswick 75c	11	.....	44c	–	2.4
42¼	28¾	CPC Intnl. 25c	41		$1.60	–	2.5
22¼	17¼	CSX $1	21⅝	–¼	$1.24	–	3.6
798p	333p	California Engy	749p	.....	–	–	–
29	17¼	Campbell Soup 15c	29½	+¼	92c	–	2.0
25¾	15	Chase Manhattan $12½	14	–¼	$2.36	–	6.0
23⅝	17	Chem. Banking Corpn.	22⅜	–¼	$2.72	–	7.6
16¾	13¾	Chrysler $6¼	16		$1.20	–	4.7
22¼	14	Citicorp $1	20		$1.62	–	4.9
230p	152p	CityFed Fin. Corp	188p	.....	4c	–	1.3
33	25¼	Colgate-Palmolive $1	31	+¼	s$1.48	–	2.9
21½	16¾	Cons Freightwys 62½c	19½	.....	98c	–	3.1
17	10¾	Cont'l Bank Corp $4	16¼	–¼	86c	–	3.1
387½p	300p	♦Corporate Data Scnce	334p	.....	–	–	–

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
542p	278p	Cullinet Sftwr 1c	535p	+27	–	–	–
27½	21¾	Dana Corp. $1	27⅛	+⅜	$1.60	–	3.7
12	854p	Data General	11⅝	–¼	–	–	–
37½	28¾	Dun & Bradstreet $1	36⅞	.....	$2.00	–	3.5
41¼	30½	Eaton Corpn. 50c	40⅞	–½	h$2.00	–	3.1
11⅛	8⅞	Echlin Inc	11	+⅛	70c	–	4.0
20⅝	16⅞	FPL Group 1c	20¼	.....	$2.28	–	7.1
32⅞	27⅝	Ford Motor $1	31¾	+⅛	$3.00	–	6.0
45⅝	30⅞	GATX 62½c	44⅝	+⅛	$2.00	–	2.8
35¾	24¼	Gen. Elect. 63c	34⅞	+⅛	$1.64	–	3.0
568p	484p	♦General Host Corp $1	568p	+11	30c	–	3.3
39⅛	18⅛	Gillette $1	26⅛	+⅜	96c	–	2.3
987p	616p	Gt Am First Svgs Bk $1	868p	–16	60c	–	4.4
23⅝	16⅞	Greyhound $1½	22⅛	–⅛	$1.32	–	3.7
13⅞	847p	Hasbro Inc 50c	13⅝	+⅝	16c	–	0.7
49⅞	32¼	Honeywell $1½	49	+1⅛	$2.10	–	2.7
20⅞	15¼	Houston Inds	20⅛	–⅛	$2.96	–	9.3
74⅝	63⅞	IBM Corpn $1¼	71⅞	+⅞	$4.84	–	4.3
55p	45p	Image Storage/R.Sys. 1c	55p	+10	–	–	–
28¾	18¾	Ingersoll-Rand $2	27¾	+½	$1.20	–	2.7
33	22½	Lockheed Crpn. $1	31⅝	–⅝	$1.60	–	3.2
22⅛	15⅜	Lone Star Inds $1	20⅞	.....	$1.90	–	5.8
25	17½	Louisiana Land 15c	24⅛	+⅛	$1.00	–	2.6
16⅞	11½	Lowe's 50c	16½	–⅛	48c	–	1.8
24⅞	15⅞	Manuf. Hanover $1	24⅝	+⅛	$3.28	–	8.6
20½	13⅞	Merrill Lynch $1	19⅝	+⅛	$1.00	–	3.2
2253p	1910p	Molex Inc	2088p	+46	3.2c	–	–
27⅞	18⅛	Morgan (JP) $2½	26	.....	$1.66	–	4.0
54½	36⅛	NYNEX $1	51⅞	–⅛	$4.36	–	5.4
24⅛	18¼	PHH Corp	23⅝	–⅛	$1.12	–	3.0
259p	220p	♦Pacific Agri.	259p	.....	–	–	–
27¼	19	Pacificorp $3¼	20⅝	–⅛	$2.76	–	6.2
27	26⅞	Pacific Telesis 10c	25¼	–½	$1.88	–	4.6
22⅛	15¼	Pall Corp 25c	20⅛	–¼	48c	–	1.5
55⅞	39⅞	Pennzoil 83 1/3c	53⅛	–¼	$3.00	–	3.6
25½	17⅞	Premark Intl	24⅝	.....	84c	–	2.2
40⅝	28⅛	Quaker Oats $5	39⅛	+⅛	$1.20	–	1.9
32⅞	23½	Rep NY Corpn $5	31⅝	+⅛	$1.28	–	2.6
14⅞	11⅞	Rockwell Intl $1	14⅛	.....	72c	–	3.2
35	21⅞	Southwestern Bell $1	33⅛	–½	$2.60	–	4.9
27⅞	17⅞	Sun Co. Inc. $1	26⅛	–½	$1.80	–	4.3
30¼	22⅞	TRW Inc. 62½c	29½	+⅛	$1.72	–	3.7
22¼	14⅛	TW Services $5	21½	–⅛	10c	–	8.3
36⅞	26⅞	Tenneco $5	35⅞	+⅛	$3.04	–	5.4
35⅞	28	Texaco $6.25	31⅞	+⅛	♦$3.00	–	6.0
28⅞	21⅝	Texas Instr. $1	27⅞	+⅛	72c	–	1.7
117⅞	58⅝	Time Inc. $1	108	–3⅛	$1.00	–	0.6
18⅞	15⅛	TRINOVA Corp	18⅛	+⅞	64c	–	2.2
24¼	15	USX $1	24⅛	+⅛	$1.40	–	3.6
164p	126p	♦Unilab	162p	.....	–	–	–
33⅞	22⅛	Utd. Technologies	33⅛	+⅛	$1.60	–	3.1
158p	128p	♦Unitech Inc	141p	.....	–	–	–
46½	31½	US West	44⅝	–½	$3.76	–	5.3
35⅞	22⅝	Waste Management $1	33½	+⅛	48c	–	0.9
20¼	13½	Whirlpool $1	18⅛	–⅛	$1.10	–	3.7
24½	16⅞	Whitman Corp	22⅞	+⅛	$1.02	–	2.8
36⅞	28⅛	♦Woolworth $3½	34⅞	.....	$1.88	–	3.4

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or −	Div Net	Cvr	Yld Gr's	P/E
*3½	1¼	Swanyard Studios 1p γ	3	......	–	–	–	♦
11	7	Systems Connection 2½p γ	9	......	–	–	–	11.8
85	28	Tomorrows Leisure 20p γ	80	......	–	–	–	39.8
19	11	Tallow Oil 10p γ	13½	+½	–	–	–	–
113	95	UPL Group 10p γ	95	......	2.75	♦	3.9	♦
148	135	Unit Group γ	147	+7	F7.5	2.9	6.8	8.♦
14	5	Vista Ents 5p γ	11	+½	–	–	–	–
40	37	Vizcaya Hldgs 5p γ	37	......	–	–	–	–
36½	23	Whitegate Leisure 20p γ	35½	+½	–	–	–	–
24	10	Do. Wrrnts γ	23	......	–	–	–	–
9¼	5	Wilton Group 1p γ	8¼	+¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	90	......
Craig & Rose £1 γ	720	......
Finlay Pkg. 5p γ	88	......
Holt (Jos) 25p γ	1323	−10

IRISH

Cap. 8½% Ln. 1991	£90	......
9pc Cap Ln. 1996	£98½	......
Fin. 13% 97/02	£110	......
Arnotts	425	......
Carrol (P.J.) γ	147d	−6
Hall (R. & H.)	161	−4
Helton Hldgs γ	73	......
Irish Ropes	283	......
United Drug	136	−2

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Beecham	58
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	58
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	52
P & O Dfd	55
Plessey	22
Polly Peck	24
Racal Elect	40
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	58
Randsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Cons Gold	100
Lonrho	35
RTZ	48

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weak as peseta gains

THE RESULT of the European elections and the success of left wing parties provided a little underlying support for the dollar yesterday, but the US currency failed to gain any great benefit and finished in London towards its lowest levels of the day.

Profit taking at the end of last week, after the dollar failed to break through technical resistance points against the D-Mark and yen, has undermined confidence, but it remains the subject of debate in the market as to whether this is only a short term adjustment. The market was looking for the dollar to establish levels above DM2.05 and Y150 after the US trade figures, but the retreat below DM2.00 and Y145 has posed questions about the currency's future performance.

Confidence no longer appears strong enough to offset the fear of central bank intervention and has encouraged profit taking and squaring of long dollar positions.

In nervous trading rumours tend to gain increased credibility. Last week it was suggested the Bank of Japan is prepared to sell up to $1bn a day to keep the dollar down ,and yesterday it was said that the Bank of Japan has agreements with the US Federal Reserve and the West German Bundesbank on co-ordinated intervention.

Intervention by the Japanese central bank was put at around $700m yesterday and the US Federal Reserve may have sold a small amount of dollars later in the day. This helped push the dollar lower

The dollar fell to DM1.9730 from DM1.9925; to Y144.40 from Y145.50; to SFr1.7050 from SFr1.7200; and to FFr6.6950 from FFr6.7625. On Bank of England figure's the dollar's index fell to 72.4 from 72.8.

Sterling moved in line with other European currencies, gaining ground against the dollar and closing 1¼ cents higher at $1.5490. The pound suffered in early trading from speculation that the entry of the Spanish peseta into the EMS exchange rate mechanism will increase pressure on the British Government to allow sterling to join.

Sterling fell to a low of DM3.0450, but held above a support point of DM3.04, before rallying to close at DM3.0550 against DM3.0575 on Friday. The pound also easad to FFr10.3700 from FFr10.3750, but rose to Y223.75 from Y223.25 and to SFr2.6400 from SFr2.6375. Sterling'a index opened at 90.5 and fell to a low of 90.4 in the morning, before closing unchanged at 90.8.

High Spanish interest rates of over 14 per cent attracted funds into the Spanish peseta, following the decision to make the currency a full member of the EMS. Dealers said the protection offered to the peseta by the system made Spanish interest rates very attractive. The peseta rose to DM1.5730 per 100 pesetas from DM1.5560 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June.19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3370	+2.07	+0.90	±1.5344
Danish Krone	7.85212	0.05440	+2.58	+1.41	±1.5404
German D-Mark	2.05853	2.07076	+0.59	-0.58	±1.0981
French Franc	6.90403	7.02631	+1.77	+0.60	±1.3674
Dutch Guilder	2.31943	2.33252	+0.56	-0.61	±1.5012
Irish Punt	0.768411	0.776235	+1.02	-0.15	±1.6684
Italian Lira	1483.58	1502.45	+1.27	+0.70	±4.0752
Spanish Peseta	133.804	131.558	-1.68	N/A	N/A

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June.19	Latest	Previous Close
£ Spot	1.5410-1.5420	1.5395-1.5405
1 month	0.55-0.54pm	0.58-0.53pm
3 months	1.88-1.85pm	1.85-1.75pm
12 months	7.10-7.00pm	6.70-6.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June.19	Previous
8.30 am	90.5	91.0
9.00 am	90.4	91.1
10.00 am	90.6	90.9
11.00 am	90.7	90.7
Noon	90.7	90.7
1.00 pm	90.6	90.6
2.00 pm	90.7	90.9
3.00 pm	90.8	91.0
4.00 pm	90.8	90.8

CURRENCY RATES

June.19	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.24387	1.47720
U.S Dollar	7	1.22939	1.04163
Canadian $	12.39	1.47183	1.24746
Austrian Sch.	5	17.3393	14.5682
Belgian Franc	7.75	51.6344	43.3370
Danish Krone	7½	9.60522	8.05440
Deutsche Mark	4.50	2.46431	2.07076
Neth.Guilder	5.50	2.77904	2.33252
French Franc	9½	8.37215	7.02631
Italian Lira	13½	N/A	1502.45
Japanese Yen	2½	178.262	151.605
[illegible]	[illegible]	[illegible]	[illegible]

Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for June16

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

June.19	£	$
[illegible]	[illegible]	[illegible]
Mexico	3829.40-3832.15	2485.00-2486.00
N. Zealand	2.7000-2.7050	1.7525-1.7560
Saudi Ar.	5.7830-5.7885	3.7505-3.7515
Singapore	3.0245-3.0335	1.9610-1.9630
S. Af (Cm)	4.3130-4.3235	2.7980-2.8010
S. Af (Fn)	6.1740-6.3000	4.0000-4.0815
Taiwan	40.15-40.25	26.00-26.05
U.A.E.	5.6625-5.6685	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

June.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5260-1.5515	1.5485-1.5495	0.55-0.52cpm	4.14	1.76-1.72pm	4.49
Canada	1.8375-1.8580	1.8535-1.8545	0.25-0.14cpm	1.26	0.78-0.63pm	1.52
Netherlands	3.42½-3.45	3.43¾-3.44¾	2-1⅞cpm	6.75	6-5⅞pm	6.90
Belgium	63.85-64.20	64.00-64.10	33-31cpm	6.00	92-88pm	5.62
Denmark	11.87-11.91½	11.88¼-11.89¼	4⅞-4⅝orepm	4.79	14⅞-14pm	4.86
Ireland	1.1440-1.1530	1.1470-1.1480	0.50-0.45cpm	4.97	1.40-1.30pm	4.71
W. Germany	3.04½-3.06½	3.05¼-3.05¾	1⅞-1¾pfpm	7.12	5⅝-5½pm	7.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates at the end of London trading. Belgian rate is convertible francs. Financial franc 64.65-64.75. Six-month forward dollar 3.53-3.48pm 12 month 6.60-6.50pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.60-41.70.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9¼-9⅛ per cent; four years 9¼-9⅛ per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June.19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£ / $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.327	0.507	1	73.26	3.394	0.864	1.127	726.0	0.607	20.97
YEN	4.468	6.921	13.65	1000.	46.34	11.80	15.38	9911	8.284	286.2
F Fr.	0.964	1.494	2.946	215.8	10.	2.546	3.320	2139	1.788	61.76
S Fr.	0.379	0.587	1.157	84.77	3.928	1	1.304	840.2	0.702	24.26
H Fl.	0.290	0.450	0.887	65.00	3.012	0.767	1	644.2	0.538	18.60
Lira	0.451	0.698	1.377	100.9	4.675	1.190	1.552	1000.	0.836	28.88
C $	0.539	0.835	1.648	120.7	5.593	1.424	1.857	1196	1	34.55
B Fr.	1.561	2.418	4.770	349.4	16.19	4.122	5.375	3463	2.895	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling recovers

STERLING INTEREST rate instruments recovered from a nervous and weak start to trading on Liffe yesterday. Short sterling, for September delivery, opened at 85.55 as the pound weakened on the foreign exchanges. The contract touched a low of 85.49, discounting a cash Libor rate of 14½ per cent at delivery, but this decline was short lived.

Dealers said that sentiment is very much driven by sterling's performance on the foreign exchanges at present and the market is relieved the pound has survived recent bad news without provoking a full blown currency crisis. This was also the case with the result of the European elections, which led to early but unsustained weakness in sterling.

As the pound improved cash interest rates fell and short sterling rallied, to close just below the day's peak at 85.79, compared with 85.75 on Friday.

Today'a figures on UK money supply and bank lending are not expected to cause too many problems. A rise of 1.1 per cent in May sterling M0 is expected, taking the year on year rate up to 6.0 per cent from 5.7 per cent, but M4 bank lending is forecast to fall to £6bn from £7bn.

Nervousness is likely to return ahead of next week's UK trade figures for May, but at present sentiment is good

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	348	431	18	45
91	258	348	28	62
92	210	304	44	118
93	133	229	103	143
94	101	157	135	207
95	43	131	213	245
96	28	110	262	324

Estimated volume total, Calls 958 Puts 671. Previous day's open int. Calls 11309 Puts 15158

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	530	555	18	53
92	347	422	35	120
94	214	303	102	201
96	112	205	200	303
98	37	123	325	421
100	17	55	505	553
102	e	35	660	733

Estimated volume total, Calls 32 Puts 131. Previous day's open int. Calls 2246 Puts 2581

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9350	172	186	21	50
9400	129	153	28	67
9450	98	124	47	88
9500	69	90	68	112
9550	48	77	97	141
9600	32	58	131	172
9650	21	44	170	208

Estimated volume total, Calls 1810 Puts 401. Previous day's open int. Calls 12391 Puts 9476

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

LONDON (LIFFE)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

CHICAGO

[illegible]

MONEY MARKETS

London rates fall

INTEREST RATES on the London money market fell back yesterday, after a nervous start to trading following the outcome of the European parliamentary elections.

The poor ahowing of the British Conservatives in the European poll created a nervous atmosphere and pushed three-month sterling interbank up to 14⁷⁄₁₆-14¼ in early trading from 14³⁄₁₆-14¹⁄₁₆ per cent. This was also a reflection of sterling's weak opening on the foreign exchanges, bnt as the pound recovered London interest rates fell, witb three-month money closing at 14¹⁄₁₆-13¹⁵⁄₁₆ per cent, against 14³⁄₁₆-14¹⁄₁₆ per cent on Friday.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England initially forecast a flat credit position on the money market, hut revised this to a surplus of £100m at noon. The authorities did not operate in the market during the morning, but in the afternoon absorbed surplus funds by selling £75m Treasury bills, due on July 5, at rates of 12⅞-13 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £303m, witb Exchequer transactloos absorbing £100m and bank balances below target £70m. These factors were offset by a fall in the note circulation adding £480m to liquidity.

In Frankfurt call money was firm, rising to 5.45 per cent from 6.40 per cent. Trading was thin, dominated by the impact of this month's large tax payments. Money started to flow out of the market last week and tax payments will continue to drain liquidity this week.

Laat Thursday's decline in banks reserve holdings with the Bundesbank to DM60.6bn from DM63.1hn was a reflection of tax payments and the market is now hoping the central bank will make a generous allocation of funds at this week's securities repurchase agreement tender to offset this drain on the market. The new tender will replace DM8.3bn leaving the banking system on Wednesday, as an earlier agreement expires.

In New York the US Federal Reserve drained money from the banking system, via two-day matched sale and repurchase agreemeots, wben Federal funds were trading at 9⅝ per cent.

In Tokyo representatives from Japan's three long-term credit banks are expected to meet this week and decide on whether to raise long-term prime lending rates. It is generally expected that the banks will increase their prime rates by 0.3 per cent to 6.00 per cent, the first rise since August 1988.

In Zurich the Swiss National Bank left its floating Lombard rate unchanged at 8¼ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June.19) 3 months US dollars		6 months US Dollars	
bid 9⅝	offer 9¾	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 56,777

A=Ask B=Bid C=Call P=Put

JOTTER PAD

CROSSWORD

No.6,964 Set by QUARK

ACROSS

1 One takes the prize, rising to the top (8)
4 Originates and puts in return about creative study (6,2)
9 Kick over traces to put in a new mould (6)
10 Make such a bow on formal occasions? (5,3)
12 Pub loose about English it's inferred indirectly (8)
13 Time and place about items of business (6)
15 Cheese used to feed a mouse? (4)
16 Grasp twig (10)
19 Certain beats can be (10)
20 Trashy film? (4)
23 Old Testament in change for religious person (6)
25 Get the needle faced with these scraps? (8)
27 Teachers devise plot for the music-maker (8)
28 Lady with a halo? (6)
29 The media, following English society, love coffee (8)
30 The spirit to espy somehow round Church (6)

DOWN

1 Describes hand I have after villian's leading (7)
2 Financial cure in pay arrangement? (9)
3 Used to being put out, expelled (6)
5 Explained what the bell did in sound (4)
6 One seen at meetings carrying card (8)
7 Fabric settled at home? (5)
8 Horse with patchy form? (7)
11 Using expression of language ignoring MA is foolish (7)
14 How one has to go to reach the top! (7)
17 Nut or nuts (9)
18 Just a few years showing poverty (8)
19 Return with regard to the meeting-place (7)
21 Mike sat around. False move? (7)
22 One leaves "figures of speech" showing expressions of relief (6)
24 Sum for a youngster at university? (3,2)
26 Book the circus turns (4)

Solution to Puzzle No.6,963

HUSHED OFFERING, AVERAGE LIGNITE, HOES INSISTINCT, OSSESS SLEEPER, INITIAL ALMOST, SUNDERLAND SORR, UNTAMED CORDIAL, SWELLING PENNED

WORLD STOCK MARKETS

CANADA

TORONTO
2pm prices June 19

INDICES

	June 16	June 15	June 14
New York	244,951	281,180	171,840
Amex	11,403	14,655	15,731
OTC	132,112	137,502	131,625

Issues Traded	1,962	1,967	1,970
Rises	802	431	747
Falls	625	1,055	715
Unchanged	535	481	508
New Highs	61	66	111
New Lows	14	27	17

CANADA

TORONTO	June 16	June 15	June 14	June 13	1989 High	1989 Low
Metals & Minerals	3303.4	3287.4	3378.7	3415.9	3564.9 (6/2)	3207.5 (3/1)
Composite	3745.1	3737.4	3769.7	3787.0	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1896.63	1893.68	1917.30	1934.03	1948.46 (9/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Warner Comm	8,248,100	59½	+ 3⅞	General Electric	2,943,000	53⅞	+ ⅞
Exxon	3,833,900	44⅞	+ ⅜	IBM	2,724,800	109½	+ ⅛
Am T & T	3,381,500	35½	+ ¼	[illegible] Corp	2,676,100	38	+ ⅜
Time Inc	3,293,400	165¼	− 5¼	Paramount	2,640,400	58½	− 1¼
Bank of Boston wi	3,207,800	27⅞	+ ¼	Eastman Kodak	2,366,600	48⅝	− ¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday June 19 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Amada	17.2m	2,270	−10	Showa Elec Wire	8.95	7,200	+80
Ebara	14.9m	2,480	−40	Takuma	8.5	1,100	+40
Canon	14.7m	1,990	+60	Toshiba	8.4m	1,270	+00
Yokogawa Elctrc	12.2m	2,100	+110	Olympus	8.3m	1,630	+60
Yamatake Hnywll	11.3m	3,260	+50	Nippon Steel	7.7m	806	+1

3pm prices June 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
32⅞	21¼	AAR	.44	1.5	28	153	30½	25¾	29⅞	−⅞
10⅛	8⅞	ACM n	1.01	11.		140	9¼	9¼	9¼	+⅛
11⅞	10¼	ACMIn	1.28a	12.		201	11	10⅞	10⅞	−⅛
10⅝	8½	ACM M	e1.01	11.		224	9⅝	9½	9½	
11⅜	10	ACM Sc	1.26	12.		332	11	10⅞	10⅞	−⅛
9⅞	8⅜	ACMSp	1.01	11.		425	9⅛	9⅛	9⅛	
17⅞	10⅞	AL Lab	.12	.7	18	16	16½	16⅜	16⅜	−⅛
4⅜	3⅞	AMCA	.12e	3.1	28	5	3⅞	3⅞	3⅞	−⅛
8⅞	3½	AM Intl				346	5⅜	5⅛	5⅜	−⅛
28½	18⅞	AM In pf	2	9.4		1	21¼	21¼	21¼	
65⅝	46⅞	AMR			7	2020	62⅛	61⅞	61⅞	+⅛
27	25	ANR pf	2.67	10.		71	25⅞	25⅛	25⅞	
24¾	38⅞	ANR pf	2.10	8.7		1	24½	24½	24½	
6⅞	3⅝	ARX				121	4⅝	4¾	4⅝	−⅛
44⅝	60¼	ASA	3a	7.3		484	41⅞	40½	41⅞	+½
22⅞	15¼	AVX	.24	1.1	18	110	21⅜	20⅞	21	−⅛
61¼	43½	AbtLab	1.40	2.5	17	1205	57⅛	30¾	57⅜	+¼
19	15⅝	Abitibi g	1			146	18⅜	18⅜	18⅜	
13	7½	AcmeC	.40	3.2		160	12⅞	12⅝	12⅝	−⅛
8	5⅞	AcmeE	.32	4.1	18	4	7⅛	7⅛	7⅛	−⅛
34⅜	30¼	Acuson			28	67	33	32⅞	33	+¼
10⅞	14¼	AdaEx	1.52e	12.		120	15½	15¼	15½	
10⅞	7¼	AMD				4138	10	9⅝	9¾	−¼
43½	28¾	AMD pf	2	6.8		9	34¼	34	34	+⅞
16⅛	8½	Adobe				105	9⅝	9½	9½	−¼
18⅞	16½	Adob pf	1.84	10.		12	18⅛	18	18⅛	
21¼	19⅞	Adob pf	2.40	11.		3	20⅞	20⅞	20⅞	
9⅛	6⅜	Advest	.12	1.7	17	29	7¼	7	7	−¼
50¾	43¾	AetnLf	2.76	5.0	9	866	54⅞	54⅜	54⅜	+½
13⅛	12⅜	AflPb n				531	13	12⅞	13	+⅛
29	14½	Ahmans	.88	4.6	10	3162	25	21¾	21¾	−¼
4⅛	2¼	Aileen				161	3	2⅞	2⅞	
52⅞	37⅞	AirPrd	1.32	3.1	11	1062	43½	42⅞	43¼	
30⅞	15½	AirbFrt	.60	2.2	25	55	21	20⅞	21	+⅛
24½	13⅝	Airgas			14	253	25⅛	23¼	23½	+⅛
28½	17⅞	Airlease	2.40	12.	9	17	30	19⅞	20	
9⅝	8½	AlaP dpf	.87	9.3		14	9⅜	9⅛	9⅜	
80¼	19¼	AlaP pf	8.28	9.9		z160	83⅞	83⅝	83⅞	−⅞
30	17¼	AlskAir	.20	.7	10	440	27½	27	27¼	−⅛
80⅛	14⅝	Albnyln	.30	1.5	13	1043	20⅜	20¼	20⅜	+¼
45⅞	35½	Alberto	.30	.6	22	28	44⅞	44¼	44½	+⅛
37⅞	28	AlbCulA	.38	1.8	16	20	27	37	37	
49¼	30	Albtsn	.80	1.7	15	757	47¼	40⅞	47	−⅞
24	10¼	Alcan s	1.12	5.2	5	3171	21¼	21½	21⅜	−⅛
31¼	23	AlcoStd	.76	2.5	12	184	30⅞	34	30¼	−⅛
30⅛	21¼	AlexAlx	1	3.9	16	403	25⅝	25¼	25½	−⅛
77	30	Alexdr			29	3	65⅝	65⅝	65⅝	−¼
60	53½	AllegCp	1.63f	1.6	11	29	50	30½	30	
4¼	1	vjAlgInt				430	1⅛	1⅛	1⅛	+⅛
10	1½	vjAlgl pr				7	1⅞	1⅞	1⅞	+⅞
41⅛	24¾	AlgLud	1a	3.8	7	128	35⅛	35	30½	+¼
38⅜	35⅞	AlgPw	3.30	8.3	10	875	37⅞	36⅞	37⅛	−⅞
16⅞	12¼	AllenG			14	130	13	12⅛	13	+⅞
19⅞	13	Allen pf	1.19	11.		23	16½	16⅜	10⅛	+⅞
18⅛	6⅞	AlnCap	n1.48	11.	21	59	12⅞	12⅝	12⅝	
27⅞	15¾	AlldPd			18	15	24½	24½	24½	
38⅞	31¼	AldSgnl	1.80	5.2	11	1507	31⅞	34⅛	31⅞	
10⅛	9⅝	AlstMu	.78a	7.3		118	10⅞	10½	10⅝	+½
12⅛	9¼	AlsMll	.70a	7.8		29	12	9⅞	10	
12⅞	6¼	AlsMO	n.44a	4.2		146	12⅞	12½	12½	
10	8	AlsMP	n.21a	2.2		119	9⅛	9⅞	9⅛	
48	22⅞	ALTEL	n1.72	3.8	15	244	45⅞	46½	46¾	−⅛
60¼	47½	Alcoa	1.60a	2.4	8	1457	66⅛	63⅛	66	−¼
19	10⅝	AmaxG	.80	.7	18	187	12⅛	11⅞	12	
27⅛	19⅞	Amax	.80	3.2	3	1708	25⅛	25	25⅛	−¼
44½	38	Amax pf	3	7.2		2	40½	41⅞	41⅞	
14¼	10½	AmBes	.20	1.5	5	146	13⅞	13⅞	13⅞	+⅛
15¼	11⅛	Amcast	.48	4.8	9	26	12⅞	12⅞	12⅛	−¼
15⅜	6⅞	Amdura			3	220	13½	10¼	13½	
27⅛	20⅛	Amdor pf	1.98	8.1		1	24	24	24	−⅛
40⅛	22⅜	AmHes	.53	1.8	11	1109	36⅛	29½	36½	−⅞
23⅛	14⅜	ABarck	.15			440	22⅛	22½	25⅛	+⅛
73¼	44¼	AmBrnd	2.44	3.4	11	1096	71⅞	10⅝	71	
30⅞	26⅝	ABrd pf	2.19	2.6		27	20½	20⅛	20½	+⅛
39⅜	24⅞	ABldM	.92	2.8	16	58	36¼	30	36	
32¼	30¼	ABusPr	.30	3.0	14	20	31⅞	31½	31½	−½
22¼	18¼	ACapBd	2.20a	11.		20	20½	20⅜	20⅜	−⅛
24	19¼	ACapCv	2.93a	14.		3	21⅞	21⅞	21⅞	
10⅞	8⅜	ACapIn	1.10a	12.		139	9⅝	9½	9½	
11⅛	8¼	ACMR	.60	8.2	12	8	9⅞	9½	2⅜	+⅞
⅞	¼	ACentC				16	6-16	6-16	5-16	
57	44	ACyan	1.35	2.5	16	2411	30¼	54¾	54⅞	+¼
29⅛	25⅜	AElPw	2.32a	8.4	8	1039	78	27⅜	27⅛	−¼
35⅞	25⅞	AmExp	.84	2.4	14	4268	34⅞	34⅜	34⅝	
18⅛	11½	AFamly	.28	1.8	12	1150	16½	15⅞	15⅞	−⅛
37⅞	20¼	AGnCp	1.50	4.2	11	1651	30⅛	35⅞	30	−¼

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Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
48¾	44½	Xerox pf4.13		9.0		8	45⅝	45¼	45⅝	+ ⅛
44¼	31	XTRA	.72	2.2	14	27	33½	33¼	33¼	− ¼
6¾	8	Zapata				70	2⅝	2⅝	2⅝	
21½	15⅛	Zayre	.40e	2.3	114	1678	17½	16⅞	17⅛	− ⅛
16½	10½	Zemex	.40	3.3	135	8	18⅛	12	27⅛	+ ⅛
30	16½	ZenithE			975	768	19⅞	19½	19⅛	− ⅝
10⅛	8⅞	Zeninc	1.26	13.		167	9⅞	9⅞	9½	
2⅝	1	vjZenLb				610	1⅞	1½	1⅝	
21½	18	ZenNtl	.84	4.4	8	17	19⅛	19	19⅛	+ ⅛
21⅝	14⅞	Zero	.44	2.0	17	162	21⅝	21⅛	21⅝	+ ⅝
37⅛	20	Zurmin	.68	1.8	19	621	36⅞	36¼	25⅞	+1
11¼	18	Zweig	1.07e	9.4		377	b11⅞	11½	11⅝	+ ⅛
10⅛	8¼	Zweig n	.80	10.		748	9⅞	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices June 19

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
ProcCm	.06e	1	64	8⅝	8⅛	8⅛	
Prism		18	8	2⅜	2⅜	2⅜	

OVER-THE-COUNTER

Nasdaq national market, 3pm prices June 19

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
			−X−Y−Z−				
XL Dta s		19	218	28⅛	22½	22½	− ⅝
XOMA			300	19½	18⅞	19	− ½
Xicor		8	1655	6¾	d 6¼	6½	− ¼
YelowF	.70	10	241	25⅛	19¼	25⅝	+ ⅛
ZionUt	1.44		39	25⅞	22	28	
Zycad			431	6½	6⅛	6⅛	

AMERICA

Dow falls after euphoria fades

Wall Street

THE fading of last week's euphoria in bond and dollar trading had an impact on stocks which registered modest losses at midsession, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 5.54 points down at 2,480.84 on low volume of 83m shares. The broader Standard & Poor's 500 index was also slightly lower as were the leading indices of secondary stocks on the American Stock Exchange and the Nasdaq over-the-counter market.

The equity market had risen sharply along with the enormous surge of buying in the bond market and in the dollar two weeks ago but then started to drift lower even as the other financial markets became over-extended. Stocks suffered along with the dollar and bonds when profit-taking surfaced last Thursday.

The course of the market in the near-term will depend on a number of factors. The dollar, which has started to look vulnerable in the face of heavy and co-ordinated central bank intervention and threats by central banks of more to come, will play a role.

So will any further signs of weakness in corporate profits as the economy continues to decelerate.

A potentially positive influence for the market will be any end of second quarter buying by investment managers wanting to stuff portfolios full of the best performing issues. However, there is some doubt whether such a buying spree will actually emerge given a new caution in the market.

There is a danger for portfolio managers that they will jump into stocks near the top of a rally.

The second half is particularly uncertain. After the very sharp fall in short-term interest rates in recent weeks, there is now a camp which is concerned that consumer spending and housing, the sectors of the economy which have displayed weakness after a year of monetary tightening, could rebound, perhaps so much that the US Federal Reserve would be forced to tighten again.

Even if this does not happen, all the signals suggest that the Fed will be ultra-cautious in lowering interest rates any further. Both producer prices and consumer prices gained more than expected in May which must be worrying the Fed. Some bond economists had talked about a lowering of the Fed Funds target to 9¼ per cent from between 9¾ per cent and 9¼ per cent but there is less confidence now that the loosening was as big as that. Some economists are now talking about Fed Funds being targeted at between 9½ per cent and 9¾ per cent.

Concern has also emerged over the past fortnight or so about a negative impact from the strong dollar on stocks of companies doing substantial international business.

Takeover and merger stories continued to dominate. NWA, the holding company for Northwest Airlines, jumped $6¾ to $114¼ at midsession on news that it had agreed to a $121 a share takeover bid from Mr Alfred Checchi, a Los Angeles investor. Pan Am, one of the losing bidders, fell $⅝ to $3⅞.

UAL, the holding company for United Airlines, jumped $5⅛ to $127¼ on speculation that the losing bidders may now target the company instead of NWA.

Time continued to slump in the wake of news of the company's $70 a share planned bid for Warner Communications, an alternative to the $175 a share bid from Paramount. Time fell $9¾ to $156¾, Warner added $¾ to $59¾ and Paramount fell $¼ to $57⅞.

Sea Containers jumped $6⅝ to $72⅝ on news that the company plans to announce a restructuring or leveraged buy-out worth between $70 and $100 a share.

Union Carbide added $1⅜ to $28⅜ in heavier than usual volume on reports that Mr Nelson Peltz, the investor, has built up a stake in the company.

Canada

INVESTORS found no factors to influence trading in Toronto, leaving stocks little changed at midday in light trading.

The composite index fell 2.0 to 3,743.10 as advancing stocks almost matched declining ones by 210 to 216, on volume of 13.9m shares.

On the active list, Maclean *Hunter was flat at C$13⅞*, BCE Development was down 6 cents to C$2.54, Inco was unchanged at C$33¼, and Laidlaw gained C$⅛ to C$17¼.

SOUTH AFRICA

GOLD stocks closed easier in light trading in response to the metal's fall on world markets. Vaal Reefs shed R4 to R298.

Italy enjoys rare bask in limelight

ITALY, basking in an 11-day bull run, enjoyed a share of the limelight among world markets last week as investors, afraid of being left standing, scrambled to buy stock.

The Italian market gained a robust 4.3 per cent in local currency terms, although it slipped back slightly yesterday on profit-taking.

By Simon Greaves

Fierce demand for Fiat stock led the domestic drive to build positions in blue chip issues, while foreign investors have gradually begun to return as well. Analysts point out that Italy still has about 30 per cent to rise before reaching its all-time high of May 1986.

Although the market has climbed by 20 per cent over the past year, its performance this year has been poor until now, with a total rise of only 7.6 per cent, the second worst in Europe after Belgium.

Denmark was the FT-Actu*aries top performer in Europe* last week with a 5.8 per cent rise in local currency terms as the market sailed ahead on a tide of institutional liquidity. The local stock exchange index gained 3.9 per cent.

Shipping stocks have led the year's steady advance, underpinned by corporate progress and prospects, and reinforced by declining interest in bonds and property investment. The market is up 28.4 per cent on the start of the year, the third best performance in Europe after Austria and Norway.

One analyst said the alternatives in Denmark were not tempting. "Investors are asking themselves what could they possibly put their money in if they sell and there's a growing feeling the market could at least sustain a further 10 per cent rise this year."

Singapore was the star performer in the Asia Pacific region, registering an impressive 4.7 per cent advance as some investors cold shouldered Hong Kong in the wake of the bloody crackdown in China. Singapore has risen 28.7 per cent this year and a huge 50.4 per cent in sterling terms.

Singapore's across-the-board success story, in which property, ship repairing and consumer goods issues have been prominent, is attributed to a strong economy, a currency heavily linked to the firm US dollar and the glittering performance of the property sector. That has benefited from healthy fundamentals including a shortage of office space and rapid rent increases.

Hong Kong none the less recovered 3.9 per cent last week after its heavy losses, with Malaysia hot on its heels, putting on 2.6 per cent as it too gained impetus from property issues.

In spite of these good performances among smaller markets, the world's leaders had a poor week which left the FT-A World Index down 1.6 per cent.

Japan fell 2.6 per cent amid concern over the declining yen, with the Nikkei average suffering its biggest one-day fall this year on Thursday. The US lost 1.6 per cent in a week of confusing economic signals, while Canada shed 1.9 per cent and the UK 0.2 per cent.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+1.02	+8.06	+58.89	+42.07	+49.45
Belgium	-0.19	-1.39	+18.13	+5.63	+11.39
Denmark	+5.82	+11.88	+74.58	+28.40	+33.99
Finland	-1.07	-0.14	+8.80	+14.55	+26.52
France	-2.02	+2.48	+38.76	+12.90	+19.26
West Germany	-0.14	+5.78	+24.96	+8.49	+13.92
Ireland	-1.78	-5.03	+8.33	+12.59	+18.21
Italy	+4.28	+8.95	+30.07	+7.62	+14.78
Netherlands	+0.74	+3.07	+25.37	+16.62	+22.82
Norway	+0.19	-7.14	+57.64	+35.56	+45.50
Spain	-1.00	+0.59	+0.24	+11.02	+15.57
Sweden	+2.60	+2.42	+46.56	+23.16	+32.63
Switzerland	+1.03	+7.72	+11.59	+12.97	+18.36
UK	-0.24	-1.44	+15.27	+18.47	+18.47
EUROPE	+0.88	+1.71	+20.81	+14.80	+18.82
Australia	-0.41	-3.79	-3.23	+3.23	+7.27
Hong Kong	+3.99	-17.79	-10.48	-12.62	+3.31
Japan	-2.62	-8.71	+11.83	+2.62	+3.96
Malaysia	+2.65	-0.55	+28.13	+24.97	+47.23
New Zealand	+1.87	+0.76	-1.42	+7.32	+14.40
Singapore	+4.70	+0.59	+26.31	+28.74	+50.42
Canada	-1.90	+1.36	+8.91	+11.27	+30.78
USA	-1.84	-0.09	+16.82	+15.82	+36.59
Mexico	+7.47	+18.39	+54.51	+64.18	+86.47
South Africa	+0.01	+12.00	+49.37	+29.01	+40.75
WORLD INDEX	-1.61	-1.32	+15.86	+8.35	+17.27

† Based on June 16th 1989

EUROPE

Frankfurt springs back to life with 2 per cent jump

THERE were sharp contrasts in Europe yesterday as Frankfurt sprang ahead again and Milan suffered heavy profit-taking. The results of the European elections provided a focus for some bourses, *writes Our Markets Staff.*

FRANKFURT jumped like a coiled spring after a week of consolidation, with share prices rising by 2 per cent to new post-crash highs as foreign and domestic buyers rushed in.

The trigger appeared to be relief that the European elections had not produced an even worse result for the centre-right coalition and that the opposition Social Democrats and Green party had failed to secure an overall majority. The most striking feature of the election — the advance of the far-right Republican party — was shrugged off, apparently because it was not a new phenomenon and it was thought the big parties would regain ground between now and the general election in 1990.

After hovering around 600 last week, the FAZ index climbed 9.22, or 1.5 per cent, to 608.31 and the DAX index jumped 30.45, or 2 per cent, to 1,456.99. Turnover in German shares soared back above DM7bn, close to its recent post-crash highs.

"When domestic investors found out that everything was again on the positive side they started buying, and prices were up 1½ per cent at the opening," said one analyst, adding that the FAZ could now rise to 620 or 630 quite quickly.

Blue chips were strong, with Siemens climbing DM21 to DM563.50 both as a market leader and because of its DM1.5bn order from the Soviet Union for 300,000 personal computers.

In financials, Commerzbank was the day's second most active stock, rising DM7.80 to DM251.20; one of its warrants expired last week and this took pressure off the price, while the stock was said to be looking positive from a chart point of view. Deutsche Bank gained DM11.70 to DM564.20.

VW continued to lead the car sector, accelerating DM13 to DM423.50, helped by an article in Der Spiegel saying group net profit would rise to more than DM1bn this year.

In a popular engineering sector, Deutsche Babcock gained DM9.50 to DM203 amid continuing speculation that builder Hochtief was interested in buying into it because of its environmental clean-up activities.

MILAN fell back after its 11-day surge amid widespread profit-taking and worries about the political crisis, further heightened by the results of the European elections. The results appear to offer little chance of an alternative being found to the last Government.

The Comit index lost 3.04 to 648.68 although volume remained high at L300bn.

One analyst described the fall as a "pause for breath" and expected the advance to resume later this week after the poll news had been digested.

Another said: "The technical signs (of an impending fall) were written all over the market last week. Volume was thinner than last week's levels and I don't think there's going to be an immediate sellout."

Fiat, which had led the rally, ended at L10,280, Friday's closing level, after being fixed earlier at L10,380.

PARIS continued last week's dull tone, with shares ending down but off lows in thin volume estimated at about FFr1.8bn. "Most people are waiting for the end of the monthly account on Thursday," said a dealer. "The problem is that the only thing that can bring dynamism is a decrease in American interest rates."

Strong industrial production figures for April had little impact, with investors focusing more on today's May inflation numbers.

Thomson-CSF rose FFr3.50 to FFr225 after announcing two new contracts. Car components maker Valeo crept up FFr2 to FFr777 after news of its joint venture in Spain with Nippondenso of Japan.

The OMF 50 index showed a slight 0.75 gain to 491.04, but the CAC 40 was down 3.54 at 1,718.74. The CAC General lost 4.1 to 476.30.

MADRID showed little reaction to weekend news that Spain was joining the European Monetary System or to Friday's better than expected inflation figures. The general index managed a slight gain of 0.52 to 310.38 after last week's losses, but trading volume was estimated at a thin $110m.

The banking sector and utilities were weak, holding back the broader market, but analysts said the underlying mood was fairly positive. "The opinion I've got from people today is that interest rates shouldn't have to rise in the short to medium term," said one.

AMSTERDAM ended higher after a moderately active day as investors and traders assessed the outcome of the European elections. The Dutch result gave no clear leads for the September general election. The CBS tendency index rose 1.70 to 190.9.

Retailer Ahold gained Fl 2.40 to Fl 123.90 after Friday's news of a 23.7 per cent rise in four-month profits. The company reaffirmed forecasts that 1989 profits will be considerably above last year's.

Hoogovens firmed Fl 3.30 to Fl 118 as overseas buyers chased the steel stock, making the past week's gains more than Fl 8.

BRUSSELS closed mixed to higher on the last day of the account in brisk trading, helped by the European elections which consolidated support for the Government.

Interest is centring on chemicals groups Solvay and UCB, and holding concern GBL, all of which go ex-dividend today.

Retailer GIB, which has risen sharply on strong foreign interest, added BFr3 to BFr1,408 on heavy turnover of 31,400 shares.

ZURICH finished firm but off the day's highs with turnover slowing down after a lively opening. The Credit Suisse added 1.2 to 601.0.

STOCKHOLM closed lower in thin trading as a result of fears of higher interest rates and the absence of buyers before the holiday break. The Affärsvärlden General index fell 4.6 to 1,209.9.

ASIA PACIFIC

Prices slip on fears of a rise in the dollar

Tokyo

A MOOD of despondency hung over the Japanese market and shares eased in thin volume as currency and interest rate concerns drew a negative picture for future prospects, *writes Michiyo Nakamoto in Tokyo.*

Although the yen has recovered somewhat against the dollar, developments in foreign *exchange markets and events* both at home and abroad did little to dispel fears of the dollar rising in the near term. Share prices slipped lower during most of the day and only managed to recover slightly on buying from index-linked investment trust funds.

The Nikkei average moved between a high of 33,051.36 and a low of 32,858.31 before closing down 41.99 at 33,013.18. Advances managed to outnumber declines by 485 to 394 while 196 issues were unchanged. Turnover dwindled to a paltry 454m shares against 591m traded on Friday. The Topix index of all listed shares finished 3.54 points higher at 2,443.71 but in London the ISE/Nikkei 50 index fell 0.86 to 1,942.51.

"The market has entered the rainy season," said one investor. "It's not a downpour but a drizzle, but still nobody wants to go out while it's raining."

Although the currency market was relatively stable, investors in Japan were beginning to predict a longer period of dollar strength and hence a more drawn-out correction for the market than they had previously expected. International trends, such as the situation in China, pointed to a firm dollar at least in the short term.

At the same time, investors were increasingly optimistic about the outlook for the US economy, and thus increasingly confident of a further rise in the dollar in coming months. This bullish outlook on the dollar in turn fanned fears of inflation in Japan and the possibility of another rise in the official discount rate.

On the domestic front, the chances for the ruling Liberal Democratic Party in the forthcoming elections to the upper house of the Diet (Parliament) were not looking bright, adding concerns about potential domestic political strife to investors' reasons for remaining cautious.

Environment protection and machinery issues, which have been popular on buoyant capital spending by Japanese industry, were once again the main movers yesterday. But those which have enjoyed substantial gains recently lost on profit-taking. Amada, for example, a *leading* machine tool maker which has risen on good earnings, lost Y10 to Y2,210 in the day's most active trading of 17.2m shares.

Issues likely to benefit from increased capital spending were selected in Osaka and helped lift the OSE average 137.34 to 31,999.25. Volume also improved to 64m shares against 41m on Friday.

Roundup

SINGAPORE and Taiwan both passed significant milestones yesterday but Australia eased. Hong Kong was closed to mark the Queen's birthday.

SINGAPORE rebounded in the afternoon to close firmer, with the Straits Times industrial index breaching the 1,300 barriar. It closed up 7.88 at 1,304.40. Trading was active and turnover swelled to 88m shares from Friday's 68m.

Small investors were the main participants as activity focused on warrants, property stocks and Malaysian speculative issues.

TAIPEI climbed comprehensively through 10,000 on the weighted indax, reaching an all-time high of 10,105.81, up 198.58, after reaching the psychological barrier on Saturday. Volume rose to 611m shares from Saturday's 520m.

AUSTRALIA drifted to a slightly easier close in quiet trade, after being subdued in the morning before the release of trade figures.

The market then shrugged off the record monthly current account deficit of A$1.83bn for May. Investors and analysts were prepared for a high deficit, the announcement of which prompted the Australian dollar to weaken, then firm while interest rates rose.

SEOUL fell sharply for a fourth trading day amid disappointment that the Government did not include measures to boost the economy or exports in its economic statement. The composite index dropped *14.56 to 895.58* in *low* volume.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sacha & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 16 1989						THURSDAY JUNE 15 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	131.43	+1.0	127.03	116.22	−0.1	5.07	130.08	127.01	116.37	157.12	128.28	146.92
Austria (19)	121.59	+1.2	117.51	125.92	−0.8	2.07	120.10	117.26	126.70	124.18	92.84	86.99
Belgium (63)	127.60	+1.6	123.32	131.69	−0.2	4.17	125.58	122.81	131.93	137.10	125.58	122.91
Canada (124)	139.23	+0.3	134.56	120.73	+0.1	3.29	138.87	135.59	120.57	141.80	124.67	126.20
Denmark (38)	193.59	+2.0	187.11	204.13	+0.5	1.65	189.74	185.26	203.18	193.59	155.35	128.80
Finland (26)	140.41	+1.9	135.71	130.97	+0.0	1.60	137.75	134.49	130.94	159.18	125.81	138.25
France (128)	116.33	+0.7	112.44	123.41	−0.9	3.08	115.54	112.81	124.46	122.79	112.57	95.93
West Germany (100)	84.95	+1.7	82.11	88.01	+0.1	2.31	83.56	81.58	87.93	80.40	79.56	77.27
Hong Kong (49)	97.94	+0.2	94.66	97.93	+0.1	5.51	97.79	95.48	97.83	140.33	86.41	109.20
Ireland (17)	132.10	+1.3	127.67	138.96	−0.1	3.03	130.41	127.32	139.10	151.38	125.00	139.33
Italy (97)	82.86	+2.2	80.08	89.36	+0.9	2.49	81.07	79.15	88.58	86.88	74.97	70.70
Japan (455)	168.83	+2.8	163.17	155.28	+0.0	0.51	164.22	160.34	155.29	200.11	164.22	174.55
Malaysia (36)	179.18	+1.0	173.16	187.10	+0.4	2.57	177.42	173.22	186.44	185.03	143.35	146.35
Mexico (13)	255.88	+8.0	247.31	664.45	+1.7	0.76	241.41	235.70	653.39	255.88	153.32	172.51
Netherland (42)	117.07	+1.5	113.14	119.82	−0.1	4.31	115.29	112.56	119.92	122.22	110.53	106.27
New Zealand (24)	65.58	+1.9	63.38	61.15	+0.9	6.07	64.38	62.86	60.59	76.02	62.64	83.61
Norway (26)	171.42	+1.1	165.67	167.81	−0.8	1.58	169.59	165.58	169.19	198.39	139.92	123.22
Singapore (26)	159.57	+1.2	154.22	144.28	+0.6	1.92	157.64	153.91	143.37	181.98	124.57	122.29
South Africa (60)	139.45	+1.1	134.78	126.74	+0.9	4.23	137.88	134.62	125.58	144.86	115.35	129.84
Spain (43)	145.42	+0.7	140.55	141.40	−0.5	3.57	144.37	140.96	142.13	156.17	143.14	180.86
Sweden (35)	162.63	+1.6	157.18	161.49	+0.2	2.13	160.06	156.27	161.18	162.63	138.45	122.37
Switzerland (57)	77.05	+2.5	74.46	82.18	+0.9	2.48	75.13	73.35	81.40	79.76	67.81	81.51
United Kingdom (314)	135.94	+1.8	131.38	131.38	+0.6	4.44	133.76	130.60	130.60	153.33	133.28	137.08
USA (557)	131.09	+0.4	126.70	131.09	+0.4	3.42	130.63	127.54	130.63	133.36	112.13	110.33
Europe (1005)	114.79	+1.6	110.94	115.41	+0.2	3.56	113.03	110.36	115.13	121.70	112.63	108.92
Nordic (125)	158.06	+1.7	152.77	154.07	+0.2	1.85	155.36	151.68	153.80	158.06	137.95	118.77
Pacific Basin (676)	164.77	+2.7	159.25	151.66	+0.0	0.75	160.44	156.65	151.67	194.72	160.44	170.85
Euro—Pacific (1681)	144.65	+2.3	140.00	137.12	+0.1	1.66	141.56	138.21	137.01	164.22	141.56	146.08
North America (681)	131.49	+0.3	127.08	130.45	+0.3	3.41	131.03	127.93	130.01	133.73	112.79	111.18
Europe Ex. UK (691)	101.30	+1.5	97.91	105.53	+0.0	2.90	99.80	97.44	105.55	105.29	96.30	91.43
Pacific Ex. Japan (221)	116.07	+0.8	112.18	106.44	+0.1	4.90	115.10	112.37	106.38	137.65	111.93	126.43
World Ex. US (1878)	144.67	+2.2	139.82	136.87	+0.1	1.74	141.49	138.15	136.55	162.77	141.49	145.26
World Ex. UK (2121)	139.17	+1.6	134.50	135.10	+0.1	2.10	136.98	133.74	134.92	146.04	136.98	131.25
World Ex. So. Af. (2375)	138.86	+1.8	134.21	134.80	+0.2	2.29	136.67	133.44	134.56	146.65	136.67	131.76
World Ex. Japan (1980)	124.81	+0.8	120.62	124.31	+0.3	3.53	123.82	120.90	123.93	126.50	114.51	111.22
The World Index (2435)	138.86	+1.6	134.21	134.74	+0.2	2.31	136.68	133.45	134.50	146.51	136.68	131.75

Latest prices were unavailable for this edition.